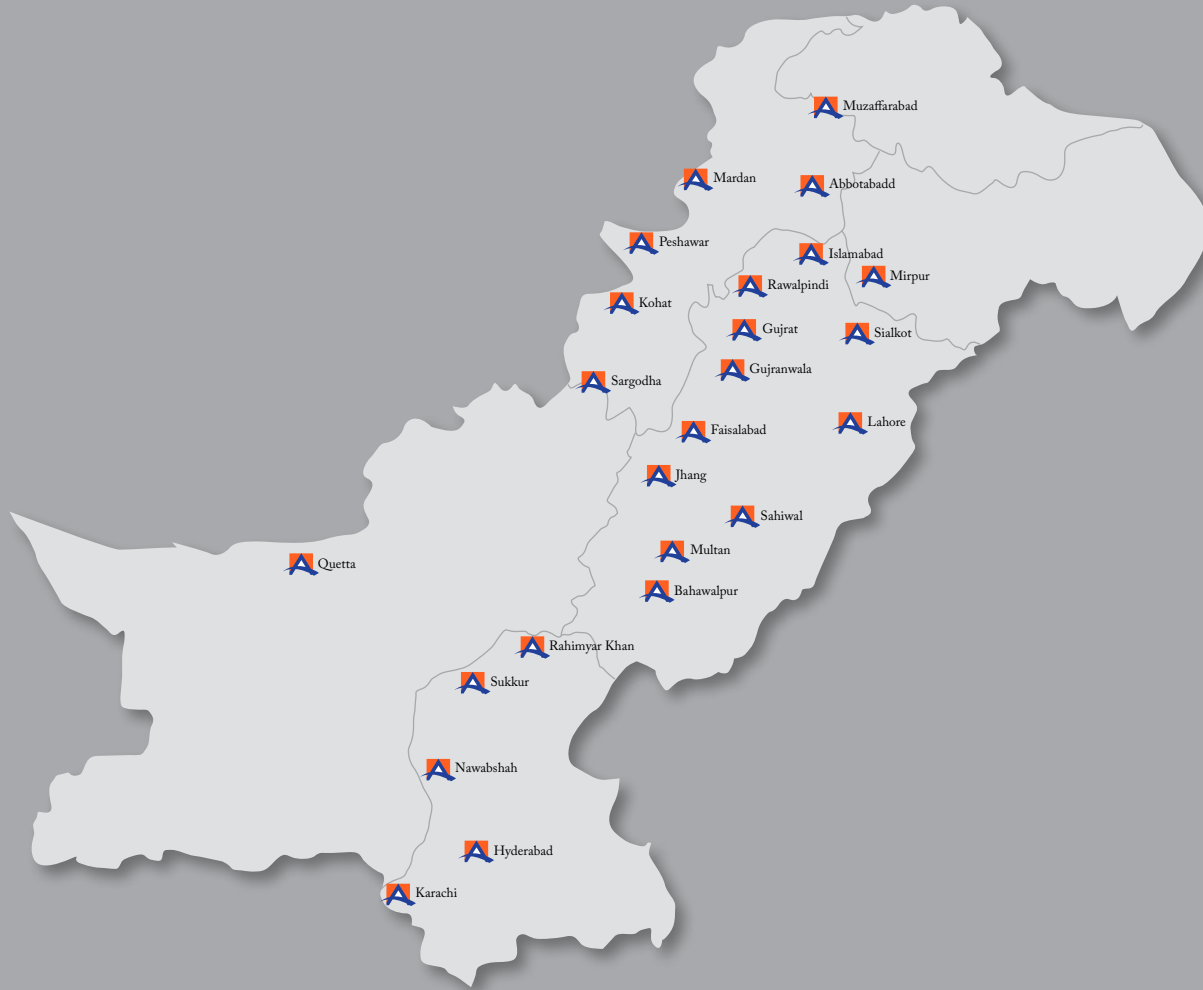


Crafting value, enhancing creativity...

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## Built around you with 766 online branches



Central I Group		Central II Group		North Group		South Group	
Regions	Branches	Regions	Branches	Regions	Branches	Regions	Branches
Gujrat Region	21	Jhang Region	19	Abbottabad Region	21	Hyderabad Region	25
Sialkot Region	24	Multan Region	31	Kohat Region	17	Nawabshah Region	17
Gujranwala Region	34	Sahiwal Region	25	Peshawar Region	40	Sukkur Region	21
Gulberg Region, Lahore	38	Bahawalpur Region	22	Mardan Region	32	City Region, Karachi	33
City Region, Lahore	35	Rahimyar Khan Region	12	Islamabad Region	31	Saddar & Society Region, Karachi	33
Faisalabad Region	35			Rawalpindi Region	44	Karachi	33
Sargodha Region	36			Mirpur Region	33	Nazimabad Region, Karachi	35
				Muzaffarabad Region	18	Quetta Region	34
	223		109		236		198





Our corporate colour is  
shadow of the refreshing  
shades of the best orange  
groves in the world

## Corporate values that bind us together

4

### Vision

To become a dynamic and efficient bank providing integrated solutions in order to be the first choice bank for the customers

### Mission

- To provide value added services to our customers
- To provide high tech innovative solutions to meet customers' requirements
- To create sustainable value through growth, efficiency and diversity for all stakeholders
- To provide a challenging work environment and reward dedicated team members according to their abilities and performance
- To play a proactive role in contributing towards the society

### Core Values

- Integrity
- Excellence in Service
- High Performance
- Innovation and Growth

### Board of Directors

Mohammad Naeem Mukhtar  
*Chairman / Non Executive Director*

Sheikh Mukhtar Ahmad  
*Non Executive Director*

Mohammad Waseem Mukhtar  
*Non Executive Director*

Abdul Aziz Khan  
*Non-Executive Director*

Sheikh Jalees Ahmed  
*Executive Director*

Farrakh Qayyum  
*Government Nominee / Non Executive Director*

Nazrat Bashir  
*Government Nominee / Non Executive Director*

Tasneem M. Noorani  
*Independent Director*

Mubashir A. Akhtar  
*Independent Director*

Pervaiz Iqbal Butt  
*Independent Director*

Mohammad Aftab Manzoor  
*Executive Director / Chief Executive Officer*

### Audit Committee

Sheikh Mukhtar Ahmad  
*Chairman*

Farrakh Qayyum  
*Member*

Mubashir A. Akhtar  
*Member*

Sheikh Jalees Ahmed  
*Member*

### Company Secretary

Waheed-Ur-Rehman, FCA

### Auditors

M. Yousuf Adil Saleem & Co.  
*Chartered Accountants*

KPMG Taseer Hadi & Co.  
*Chartered Accountants*

### Legal Adviser

Haidermota and Company,  
*Advocates and Solicitors*

### Shares Registrar

Technology Trade (Pvt.) Ltd.

### Central Office

Bath Island, Khayaban-e-Iqbal,  
Main Clifton Road,  
Karachi – 75600  
UAN: (92 21) 111-110-110

### Head Office/Registered Office

8-Kashmir / Egerton Road,  
Lahore  
UAN: (92 42) 111-110-110

### Website & Email

www.abl.com  
E-mail: info@abl.com

### Toll Free Number

0800-22522



## Board of Directors





*(left to right)*

Pervaiz Iqbal Butt  
Abdul Aziz Khan  
Mohammad Aftab Manzoor  
Nazrat Bashir  
Sheikh Mukhtar Ahmad  
Sheikh Jalees Ahmed  
Mohammad Waseem Mukhtar  
Mohammad Naeem Mukhtar  
Mubashir A. Akhtar  
Farrakh Qayyum  
Tasneem M. Noorani



## Chairman's Message

8



2008 was a year full of challenges for the financial services industry around the globe and Pakistan was no exception. Your bank's five years strategic plan continued to be executed during the turbulent economic environment of the last twelve months and limited the adverse effect of the deteriorating economy.

Continuous focus on quality human resource, state of the art technology, product innovation and improving customer experience helped the bank to deliver better shareholder value in these difficult times.

The balance sheet grew by 15% to Rs. 367 billion as compared to Rs. 320 billion a year ago. This is an outcome of a pragmatic business approach adopted by the Board and the Management team coupled with the dedication and hard work of the entire staff. Thank you all and let's keep the same momentum in 2009 and beyond.

Your bank's extensive outreach, capital structure, focus on human capital, infra-

structure development and technology have earned the bank a long term rating of "AA" and a short-term rating of "A1+" by PACRA.

### Human Capital

The biggest asset of your bank is its human capital. During 2008, your bank attracted best of the industry talent and has become the employer of choice. As part of the strategy to mix youth with experience, your bank inducted fresh MBAs as Management Trainee Officers from leading business schools in the country. These young men and women were trained and inducted into various functions of the bank during 2008.

The bank believes in competency based recruitment with equal opportunities for all. The Human Resource policy is to implement a clearly defined performance management system, effective career development process, comprehensive succession plan and meritocracy.

## Technology

Your bank has always strived to adapt the latest technological advancements. In line with its technological upgrade plans, a state of the art core banking solution has been acquired and is presently under implementation and will be entering the roll out phase in 2009.

The bank has initiated the process of deploying a suite of Risk Management Solutions from one of the leading global firms. The solution is a cutting edge analytical tool for risk management, customer segmentation and behavioral scoring to meet the sophisticated data management and reporting requirements under Basel II.

Your bank has signed a contract to host its credit card issuing and data management. This will enable the bank to use the latest technology to service its customers all across the globe.

The bank acquired a state of the art interactive voice response system for convenient self banking system to the customers round the clock. An agreement has been signed for Sales Tracking System which will be used at the outbound tele-sales call center for cross selling purposes to all customers of the bank.

These technological initiatives along with effective implementation of core banking solution will enable the bank to improve customer centricity and enhance efficiency.

## Innovation

With a view to strengthen the long term relationship with the customers, your bank is committed to provide quality customer services and better facilities across the network. To achieve this objective, most of the branches of the bank have already been renovated and re branded, and this process will continue in the future. These newly remodeled branches will help us to provide improved ambience, better facilities and personalized services to all our customers across the country. The ATM network is also being expanded to provide round the clock service.

During the last year, your bank has launched Visa Debit Card, facilitating the customers to take their bank account with them all around the globe. The bank has also changed its credit card association from Master to Visa. This will further enrich the customer experience with new features and improved service.

In Corporate, Investment and Retail banking, the growth momentum continues and it remains the core of the bank's loan portfolio. Your bank is strengthening the existing relationships and building new ones by diversifying focus more towards SME and Agriculture sectors. Value added initiatives are translating into profitable relationships. Introduction of innovative deposit products have contributed towards substantial growth in deposits.

On behalf of the management and the board I would like to thank our customers for their continuous support and trust in Allied bank. I would like to assure our customers that Allied Bank is committed to providing them even better service and value in the future.

My appreciation and thanks to the entire management and team members of Allied Bank for their commitment, dedication and hard work. I would also like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and Allied Bank's Board of Directors for their support, trust and valuable contributions.

Mohammad Naeem Mukhtar  
*Chairman*

## The Board Committees

### Audit Committee

- a) Sheikh Mukhtar Ahmad  
*Chairman*
- b) Farrakh Qayyum
- c) Mubashir A. Akhtar
- d) Sheikh Jalees Ahmed

#### Terms of Reference:

One of the prime responsibilities is the satisfactory implementation of the internal control over financial reporting. The committee also determines appropriate measures to safeguard bank's assets, ensures consistency of accounting policies, reviews financial statements and recommends appointment of and coordinates with external auditors. The committee is also responsible to ascertain the internal control system including financial and operational controls, ensuring adequate and effective accounting and reporting structure, determining and monitoring compliance with the best practices of the corporate governance. Implementation of the management testing plan, assessing the testing results and advising appropriate corrective action is also a major responsibility of Audit Committee.

### Strategic Planning & Monitoring Committee

- a) Abdul Aziz Khan  
*Chairman*
- b) Sheikh Jalees Ahmed
- c) Mohammad Waseem Mukhtar
- d) Mohammad Aftab Manzoor

#### Terms of Reference:

Strategic plans of the bank, annual operating plan, proposals for acquisition, divestures and alliances are considered by the committee for recommendation to the Board. The Committee among other things monitors progress against annual plan / budget. Besides overseeing certain management committees and groups, it also approves filing of legal suits and criminal complaints.

### Risk Management Committee

- a) Abdul Aziz Khan  
*Chairman*
- b) Muhammad Waseem Mukhtar
- c) Nazrat Bashir
- d) Mohammad Aftab Manzoor

#### Terms of Reference:

The primary functions of Risk Management Committee (RMC) is the monitoring of management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and providing risk appetite to the business units. It also ensures development of risk management principles to build stakeholders confidence, safeguard and enhance reputation. The committee approves risk limits for Credit, market and operational risks, Credit approval grid and proposals regarding rescheduling/write-offs and filling of recovery suits. Overseeing of certain management committees and groups is also undertaken by the RMC. The Committee also monitors the initiatives and expenses pertaining to Basel II and up gradation of Risk Management Systems.

### e-Vision Committee

- a) Mohammad Naeem Mukhtar  
*Chairman*
- b) Mohammad Waseem Mukhtar
- c) Pervaiz Iqbal Butt
- d) Mohammad Aftab Manzoor

#### Terms of Reference:

One of the key missions of the e-Vision committee is to provide strategic direction for e-banking and adoption of evolving technology. Strategic plans for IT infrastructure and review/implementation of medium to long term plans, including alternate delivery channels are also reviewed by the e-Vision committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking adoption. It also oversees performance of IT steering committee and IT Group.

### Human Capital Committee

- a) Sheikh Jalees Ahmed  
*Chairman*
- b) Abdul Aziz Khan
- c) Mohammad Waseem Mukhtar
- d) Tasneem M. Noorani
- e) Mohammad Aftab Manzoor

#### Terms of Reference:

The committee defines the organizational structure and functional responsibilities of each group. It approves staff strength, key appointments, salary revisions, bonuses and any special allowances. It nominates the management personnel on the boards of other companies / subsidiaries. It also recommends amendments in Human Resources Policy to the Board. Besides monitoring performance of Human Resources Group, the committee also oversees certain H.R. related management committees.



Our passion is  
dedicated to discover  
newer ways to make  
your goals reality

Get your groceries at your favorite restaurants,  
enjoy shopping and a lot more with your...

Allied  
**Cash  
Shop**  
VISA Debit Card

CLOSED





## The Management

12

*From Left to Right*

**Tahir Hassan Qureshi**

*Chief Financial Officer*

**Iqbal Zaidi**

*Group Chief, Compliance & Control*

**Asim Tufail**

*Group Chief, Consumer & Personal Banking*

**Khawaja Mohammad Almas**

*Head Core Banking Projects*

**Zia Ijaz**

*Group Chief, Commercial & Retail Banking*

**Mujahid Ali**

*Group Chief, Information Technology*

**Mohammad Aftab Manzoor**

*Chief Executive Officer*

**Muhammad Yaseen**

*Treasurer*

**Fareed Vardag**

*Group Chief, Risk Management*

**Shafque Ahmed Uqaili**

*Group Chief, Human Resources*

**Tariq Mahmood**

*Group Chief, Operations*

**Mohammad Abbas Sheikh**

*Group Chief, Special Assets Management*

**Muhammad Shahzad Sadiq**

*Group Chief, Audit & CRR*

**Waheed ur Rehman**

*Group Chief, Corporate Affairs & Company Secretary*

**Muhammad Jawaid Iqbal**

*Group Chief, Corporate & Investment Banking*







## Who we are and what we do



### Who we are

Ibrahim Group, through its different companies and sponsors owns more than 75% of Allied Bank. The Group, apart from interest in financial sector, is engaged in manufacturing of yarn and polyester staple fibre, trading and power generation.

### About Allied Bank

Allied Bank Limited is engaged in Commercial banking and related services. The bank was incorporated as Australasia Bank Limited in 1942. After the amalgamation of four banks in 1974, name of the bank was changed to Allied Bank Limited. Later in 2005, the bank was listed on all stock exchanges in Pakistan. Extensive experience over the last 66 years of operating in Pakistan, the bank has built strong equity, assets and deposits base.

Following the take over of its management control by the Ibrahim Group in 2004 and subsequent merger of Ibrahim Leasing into Allied Bank in 2005, the Board formulated comprehensive strategic priorities to address the needs to run a world class financial institution. To attain this goal, it was imperative to invest in human resources, systems and

technology, with special emphasis on value addition and service quality.

The Board of Directors of Allied Bank is providing strategic input and guidance to the management through its various committees which include Audit Committee, Strategic Planning and Monitoring Committee, Human Capital Committee and e-Vision Committee. The Board oversight of the management ensures effective implementation of its policy directives in line with its strategic vision to promote a risk culture in the bank.

The management of the bank comprises of seasoned bankers led by CEO and is divided into different groups on functional basis. At the management level, there exist six major committees including Management Committee, Human Resource Committee, Risk Management Committee, Assets and Liabilities Committee, Compliance Committee and IT Steering Committee.

Allied Bank is now one of the largest banks in Pakistan, operating through a network of 766 branches in over 300 cities and towns offering real-time online banking. The bank has in place the largest ATM network in the country with 502 ATMs in more than 145 cities and towns across Pakistan.

Based on its financial performance and significant improvement in areas of risk management and corporate governance, the Pakistan Credit Rating Agency (PA-CRA) maintained the long-term credit rating of Allied Bank to AA (double A) and short-term rating to A1+ (A one plus).

### What we do

Allied Bank offers a full suite of banking products and services with a focus on service delivery through technology.

#### Commercial and Retail Banking

This segment is catering to the needs of individuals, middle sized customers, Small and Medium Enterprises (SMEs) and agriculture sector. It provides to its customers with integrated financing and investment options and offers various deposits solutions including speedy funds transfer through its extensive online network.

This segment is overseen by four geographical groups and is further divided into 27 regions in order to effectively service its customers' needs.





### Corporate and Investment Banking

Corporate book is a major component of our loan portfolio. Corporate and Investment Banking Group offers a wide range of financial services to medium and large sized private and public sector entities. These services include providing and arranging term financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters through the concept of relationship management.

Now, your bank is one of the leading corporate lending Institutions in the country. The bank played a key role in the economic growth of Pakistan by financing all the major sectors of the economy. Allied Bank is one of the leading investment banks in the country because of its role in the major investment and corporate banking transactions. The Corporate and Investment Banking has been awarded "Corporate Finance House of the Year (Banks)" for the second consecutive year by CFA Association of Pakistan and received international recognition when "The Banker" magazine UK, conferred the "Deal of the Year 2008 – Pakistan".

### Consumer & Personal Banking

In line with the bank's policy to provide complete suite of products and services to its customers, substantial ground work was done to establish our consumer banking business.

In 2008, the Consumer Banking re-branded Visa Debit Card. Other consumer products will be launched in a phased manner. Although, Allied Bank will be faced with increased competition from several other banks offering the same products, we are confident to benefit from leveraging our largest network of online branches, superior technology platform and a huge customer base.

### Treasury

Treasury Group is actively involved in managing funds through interbank market, investments in securities and capital markets with the objective to provide support to other businesses of the bank as well as to the customers. At the same time, the Group also ensures that all regulatory requirements are being complied with. The Group has dynamic and experienced professionals who have specialized expertise in treasury functions. The Group is divided into desks of Money Market, Foreign Exchange, Treasury Marketing and Capital Market.

### ABL Asset Management

To provide a wide array of investment products, Allied Bank launched its asset management company, ABL Asset Management Company Limited, with a paid up capital of Rs. 500 million. The company was incorporated in October 2007 and also received its license for Asset Management and Financial Advisory. The company launched its mutual fund in 2008. By the year end, ABL - Income Fund became the best performing fund among all Income Funds in Pakistan, posting an annualized return of over 15 percent since its inception. The Fund size grew close to Rs. 2,000 million by December 31, 2008 at a time when the Asset Management Industry posted a decline of over 50 percent in Funds Under Management and had the distinction of being the only Income Fund in Pakistan to post increase in Assets during September-December 2008 period.



## Performance Highlights

Rs. in Millions

December 31	2003	2004	2005	2006	2007	2008
			<i>Restated</i>			
<b>ASSETS</b>						
Cash and balances with treasury and other banks	11,205	12,320	18,035	24,745	30,408	25,751
Lending to financial institutions	15,361	16,175	5,777	19,050	18,419	15,793
Investments- Gross	41,126	57,657	45,269	47,156	84,151	84,587
Advances - Gross	49,987	69,949	119,866	151,705	178,524	223,640
Operating Fixed assets	2,596	2,552	4,721	6,445	7,549	11,134
Other assets	6,959	7,073	7,908	10,800	11,368	18,399
Total assets - Gross	127,236	165,726	201,575	259,902	330,419	379,304
Provisions against non-performing advances	(9,328)	(10,464)	(8,659)	(7,672)	(10,117)	(10,668)
Provisions against diminution in value of investment	(392)	(336)	(342)	(203)	(192)	(1,956)
Total assets - net of provision	117,516	154,926	192,574	252,027	320,110	366,680
<b>LIABILITIES</b>						
Customer deposits	114,218	126,392	161,410	206,031	263,972	297,475
Inter bank borrowings	2,665	12,538	9,694	18,410	22,934	27,778
Bills payable	1,773	2,534	2,449	2,278	3,494	2,952
Other liabilities	2,835	3,206	4,472	5,119	7,332	13,621
Sub-ordinated loans				2,500	2,499	2,498
Total Liabilities	121,490	144,671	178,025	234,339	300,231	344,325
<b>NET ASSETS / LIABILITIES</b>						
	(3,974)	10,256	14,550	17,688	19,878	22,356
Share capital	1,063	4,405	4,489	4,489	5,386	6,464
Share premium	-	10,640	4,316	4,316	3,419	2,341
Reserves	558	717	1,377	1,817	2,632	3,463
Reserves for issue of bonus shares	-	-	-	-	-	-
Un - appropriated profit / (loss)	(6,490)	(6,314)	2,732	5,608	6,971	8,537
Equity - Tier I	(4,869)	9,448	12,914	16,230	18,408	20,805
Surplus on revaluation of assets	895	808	1,636	1,458	1,470	1,550
<b>PROFITABILITY</b>						
Markup / Return / Interest earned	4,985	5,245	9,892	17,216	21,201	30,571
Markup / Return / Interest expensed	1,155	794	2,025	6,793	10,093	16,560
Net Markup / Interest income	3,830	4,451	7,867	10,423	11,108	14,011
Fee, Commission, Brokerage and Exchange income	617	1,520	1,471	1,636	2,258	2,522
Capital gain & Dividend income	1,214	65	196	540	1,585	1,571
Other income	313	155	273	273	77	59
Non interest income	2,143	1,740	1,940	2,449	3,920	4,152
Gross income	5,973	6,191	9,807	12,872	15,029	18,163
Operating expenses	4,148	4,115	4,264	5,289	6,174	8,399
Profit before provisions	1,825	2,076	5,543	7,583	8,855	9,764
Donations	-	-	15	9	28	82
Provisions - (expense) / reversal	(870)	(1,594)	(694)	(913)	(2,874)	(3,561)
Profit before taxation	954	482	4,834	6,661	5,953	6,121
Taxation	(568)	(290)	(1,744)	(2,264)	(1,877)	(1,964)
Profit / (Loss) after taxation	386	192	3,090	4,397	4,076	4,157

Rs. in Millions							
December 31	2003	2004	2005	2006	2007	2008	
			Restated				
<b>CASH FLOW STATEMENT - SUMMARY</b>							
Cash Flow from Operating Activities	8,253	4,523	(5,893)	9,328	46,350	564	
Cash Flow from Investing Activities	(8,512)	(17,183)	11,664	(4,241)	(38,461)	(3,544)	
Cash Flow from Financing Activities	(12)	14,176	-	1,403	(1,904)	(1,755)	
Cash & Cash equivalent at the Beginning of the Year	10,803	10,483	12,129	17,753	24,303	29,842	
Effect of Exchange Rate changes on Cash & Cash equivalent	58	109	(21)	124	65	511	
Cash & Cash equivalent at the End of the Year	10,590	12,107	17,877	24,368	30,353	25,618	
<b>FINANCIAL RATIOS</b>							
Return on equity (RoE)	%	-	8%	28%	30%	24%	21%
Return on assets (RoA)	%	0.34%	0.14%	1.78%	1.98%	1.42%	1.21%
Profit before tax ratio (Profit before tax / Gross Income)	%	16%	8%	49%	52%	40%	34%
Gross spread ratio	%	77%	85%	80%	61%	52%	46%
Return on capital employed (ROCE)	%	-	8%	28%	26%	21%	19%
Advances to deposits ratio (ADR) - Gross	%	44%	55%	74%	74%	68%	75%
Advances to deposits ratio (ADR) - Net	%	36%	47%	69%	70%	64%	72%
Income to expense ratio	Times	1.4	1.5	2.30	2.43	2.43	2.16
Cost to revenue ratio	%	69.5%	66.5%	43.5%	41.1%	41.1%	46.2%
Growth in gross income	%	14%	4%	58%	31%	17%	21%
Growth in net profit after tax	%	136%	-50%	1511%	42%	-7%	2%
Total assets to shareholders' funds	Times	(24.1)	16.4	14.9	15.5	17.4	17.6
Intermediation cost ratio	%	3.8%	3.4%	3.0%	2.9%	2.6%	3.0%
NPL ratio	%	35.7%	22.0%	10.6%	6.91%	6.36%	6.16%
Net infection ratio	%	20.93%	8.28%	3.64%	1.96%	0.74%	1.46%
Weighted average cost of debt	%	3.54%	2.45%	6.78%	9.09%	9.96%	11.50%
Capital adequacy ratio (CAR)*	%	-12.33%	16.64%	12.17%	12.80%	10.26%	10.90%
<b>SHARE INFORMATION</b>							
Cash dividend per share	Rs.	-	-	2.50	2.50	3.00	2.50
Proposed bonus issue per share	Rs.	-	-	-	2.00	2.00	1.00
Dividend yield (based on cash dividend)	%	-	-	2.9%	2.7%	2.3%	8.0%
Dividend payout ratio (Total payout)	%	-	-	36%	46%	66%	54%
Earning Per Share (EPS) **	Rs.	1.27	0.43	4.78	6.80	6.31	6.43
Price earnings ratio *** (PE x)	Times	-	-	12.6	9.5	17.2	4.9
Market value per share - at the end of the year ***	Rs.	-	-	86.5	93.5	130.2	31.3
Market value per share - highest / lowest during the year	Rs.	-	-	87.5/35.0	111.65/78.5	145.45/93.00	156.45/31.32
Book value per share	Rs.	(37.4)	23.3	32.4	39.4	36.9	34.6
<b>OTHER INFORMATION</b>							
Non - performing loans (NPLs)	Rs. in millions	17,833	15,383	12,699	10,479	11,355	13,772
Imports and Exports business	Rs. in millions	56,868	72,765	96,072	113,571	150,698	194,186
Number of employees	Nos.	6,859	6,768	6,909	7,139	8,181	8,325
Number of branches	Nos.	752	735	741	742	757	766

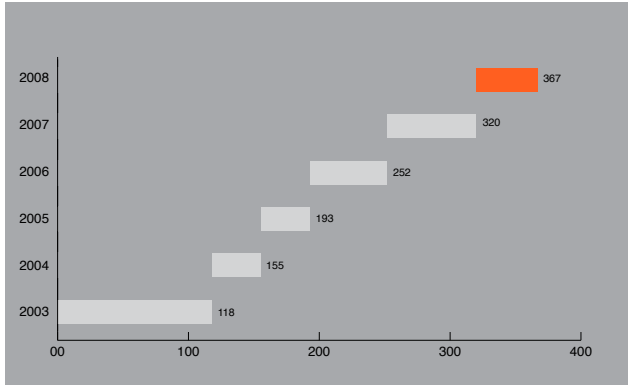
\* 2007 and 2008 numbers are based on BASEL II framework

\*\* EPS for prior years has been adjusted to affect bonus shares issue during 2008

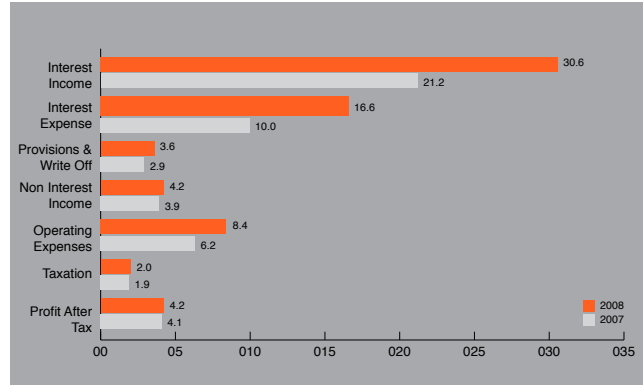
\*\*\* The Bank was listed on stock exchanges during the last year, therefore, information pertaining to prior years is not given.

# Performance Highlights

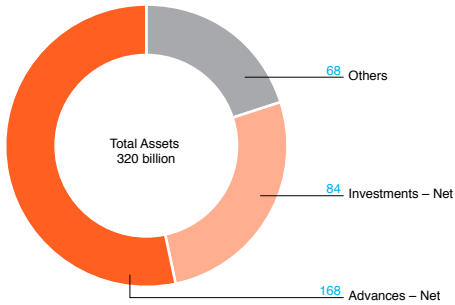
**Balance Sheet Size**  
(Rs. in billion)



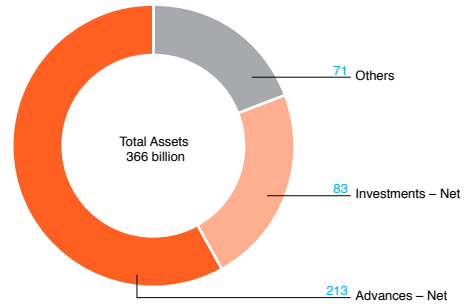
**P & L Composition**  
(Rs. in billion)



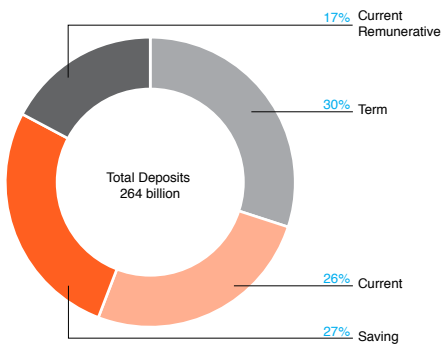
**Asset Composition 2007**  
(Rs. in billion)



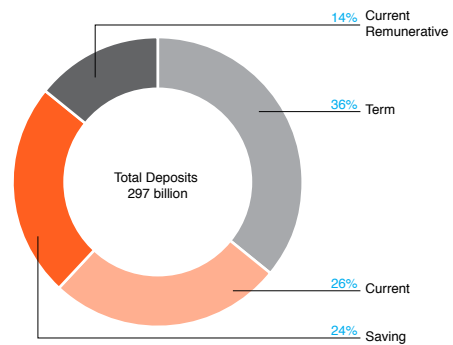
**Asset Composition 2008**  
(Rs. in billion)



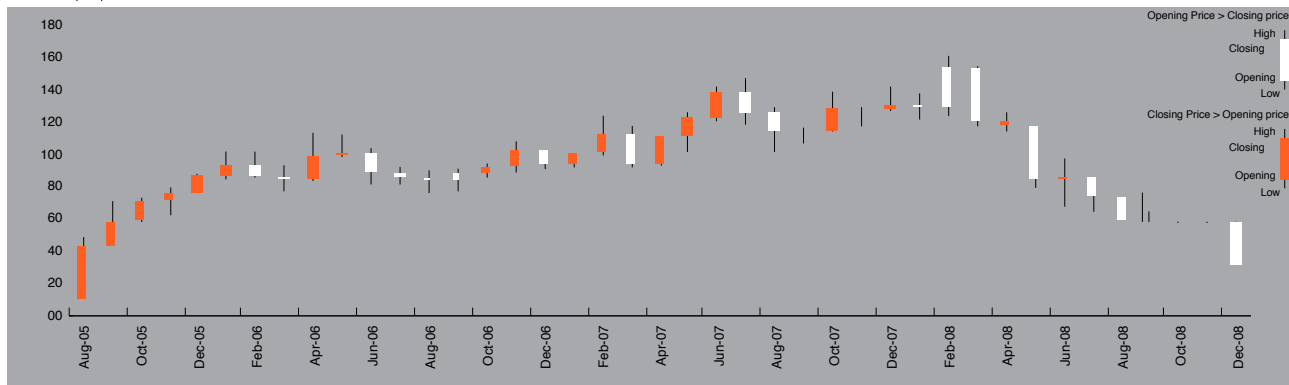
**Deposit Mix 2007**  
(Rs. in billion)



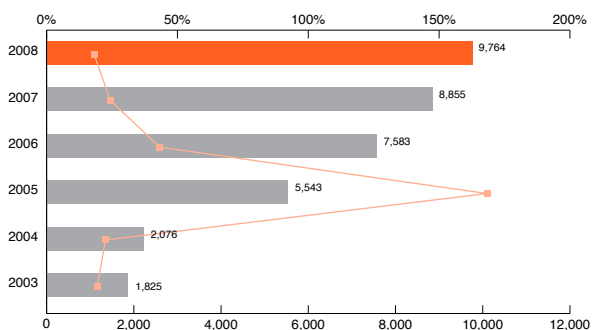
**Deposit Mix 2008**  
(Rs. in billion)



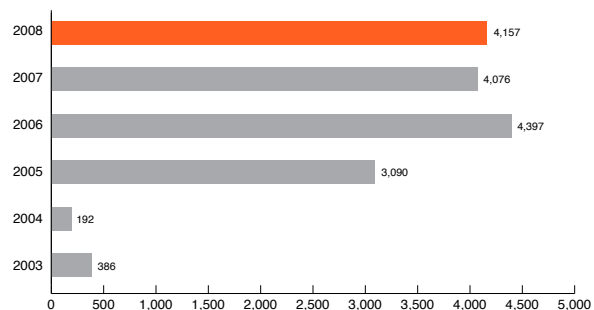
Share Price  
(Rs.)



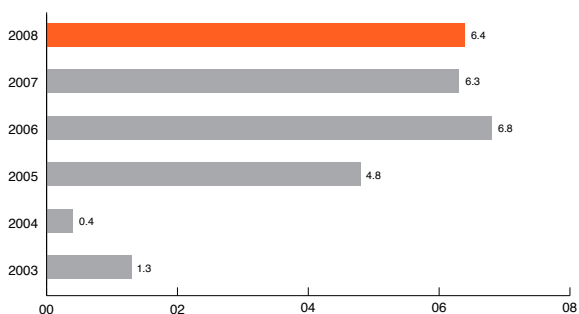
Operating Profit  
(Rs. in million)



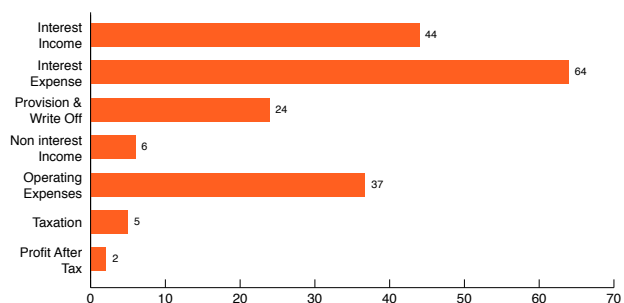
Profit After Taxation  
(Rs. in million)



Earning Per Share  
(Rupees)



Profit and Loss - 2008 vs 2007  
(Percentage)





## Vertical & Horizontal Analysis

### Vertical Analysis

<i>December 31</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
<b>Assets</b>						
Cash and balances with treasury and other banks	9.5%	8.0%	9.4%	9.8%	9.5%	7.0%
Lending to financial institutions	13.1%	10.4%	3.0%	7.6%	5.8%	4.3%
Investments - net	34.7%	37.0%	23.3%	18.6%	26.2%	22.5%
Advances - net	34.6%	38.4%	57.7%	57.2%	52.6%	58.1%
Operating Fixed assets	2.2%	1.6%	2.5%	2.6%	2.4%	3.0%
Other assets	5.9%	4.6%	4.1%	4.3%	3.6%	5.0%
<b>Total assets - net of provisions</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities</b>						
Customer deposits	97.2%	81.6%	83.8%	81.7%	82.5%	81.1%
Inter bank borrowings	2.3%	8.1%	5.0%	7.3%	7.2%	7.6%
Bills payable	1.5%	1.6%	1.3%	0.9%	1.1%	0.8%
Other liabilities	2.4%	2.1%	2.3%	2.0%	2.3%	3.7%
Sub-ordinated loans	0.0%	0.0%	0.0%	1.0%	0.8%	0.7%
<b>Total Liabilities</b>	<b>103.4%</b>	<b>93.4%</b>	<b>92.4%</b>	<b>93.0%</b>	<b>93.8%</b>	<b>93.9%</b>
Share capital	0.9%	2.8%	2.3%	1.8%	1.7%	1.8%
Reserves	7.3%	3.0%	2.4%	1.9%	1.6%	1.6%
Un - appropriated profit / (loss)	-5.5%	-4.1%	1.4%	2.2%	2.2%	2.3%
<b>Equity - Tier I</b>	<b>-4.1%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.4%</b>	<b>5.8%</b>	<b>5.7%</b>
Surplus on revaluation of assets	0.8%	0.5%	0.8%	0.6%	0.5%	0.4%
<b>Total Equity</b>	<b>-3.4%</b>	<b>6.6%</b>	<b>7.6%</b>	<b>7.0%</b>	<b>6.2%</b>	<b>6.1%</b>

### Horizontal Analysis

<i>December 31</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
<b>Assets</b>						
Cash and balances with treasury and other banks	100.0%	110.0%	160.9%	220.8%	271.4%	229.8%
Lending to financial institutions	100.0%	105.3%	37.6%	124.0%	119.9%	102.8%
Investments - net	100.0%	140.7%	110.3%	115.3%	206.1%	202.9%
Advances - net	100.0%	146.3%	273.5%	354.2%	414.2%	523.8%
Operating Fixed assets	100.0%	98.3%	181.8%	248.3%	290.8%	428.9%
Other assets	100.0%	101.6%	113.6%	155.2%	163.3%	264.4%
<b>Total assets - net of provisions</b>	<b>100.0%</b>	<b>131.8%</b>	<b>163.9%</b>	<b>214.5%</b>	<b>272.4%</b>	<b>312.0%</b>
<b>Liabilities</b>						
Customer deposits	100.0%	110.7%	141.3%	180.4%	231.1%	260.4%
Inter bank borrowings	100.0%	470.5%	363.8%	690.9%	860.7%	1042.5%
Bills payable	100.0%	143.0%	138.1%	128.5%	197.1%	166.6%
Other liabilities	100.0%	113.1%	157.7%	180.6%	258.6%	480.5%
Sub-ordinated loans						
<b>Total Liabilities</b>	<b>100.0%</b>	<b>119.1%</b>	<b>146.5%</b>	<b>192.9%</b>	<b>247.1%</b>	<b>283.4%</b>
Share capital	100.0%	414.3%	422.2%	422.2%	506.6%	608.0%
Reserves	100.0%	2035.7%	1020.6%	1099.4%	1084.6%	1040.5%
Un - appropriated profit / (loss)	100.0%	-97.3%	42.1%	86.4%	107.4%	131.5%
<b>Equity - Tier I</b>	<b>100.0%</b>	<b>194.0%</b>	<b>265.2%</b>	<b>333.3%</b>	<b>378.1%</b>	<b>427.3%</b>
Surplus on revaluation of assets	100.0%	90.3%	182.8%	163.0%	164.3%	173.3%
<b>Total Equity</b>	<b>100.0%</b>	<b>258.0%</b>	<b>366.1%</b>	<b>445.0%</b>	<b>500.1%</b>	<b>562.5%</b>



**Blending of skills  
and experience  
is our approach  
towards creating  
an enabling  
environment**



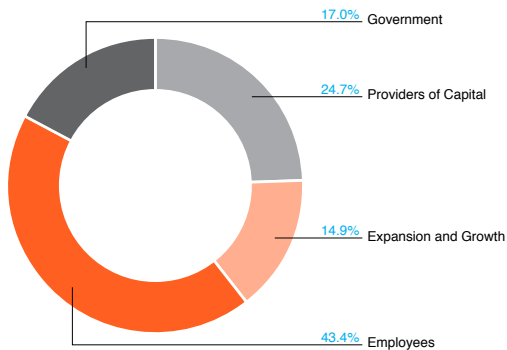
**Complaints  
&  
Suggestions**

## Statement of Value Addition

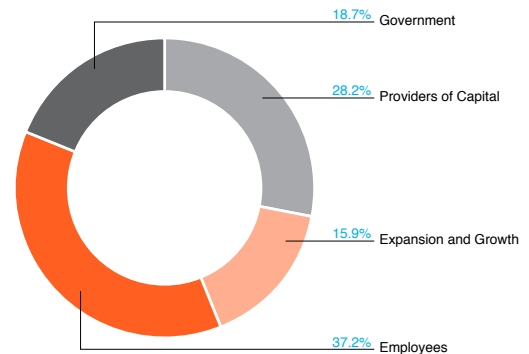
22

(Rupees in "000")	2008	%	2007	%
<b>Value Added</b>				
Income from banking services	18,152,950		15,088,220	
Cost of services	(3,049,508)		(2,200,432)	
<b>Value added by banking services</b>	<b>15,103,442</b>		<b>12,887,788</b>	
Non - banking income	9,889		14,297	
Provision against non-performing assets	(3,561,109)		(2,874,226)	
	<b>11,552,222</b>		<b>10,027,859</b>	
<b>Value Allocated</b>				
to employees				
Salaries, allowances and other benefits	5,011,040	43.4%	3,733,127	37.2%
to Government				
Income tax	1,964,254	17.0%	1,876,918	18.7%
to providers of capital				
as dividends	2,854,775	24.7%	2,827,843	28.2%
to expansion and growth				
Depreciation / Amortization	420,242	3.6%	341,656	3.4%
Retained in business	1,301,911	11.3%	1,248,315	12.4%
	1,722,153	14.9%	1,589,971	15.9%
	<b>11,552,222</b>	<b>100%</b>	<b>10,027,859</b>	<b>100%</b>

2008



2007





## Credit Rating by PACRA

**Long term AA**

**Short term A1+**

### Definitions by PACRA:

#### AA

Very high credit quality. 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

#### A1+

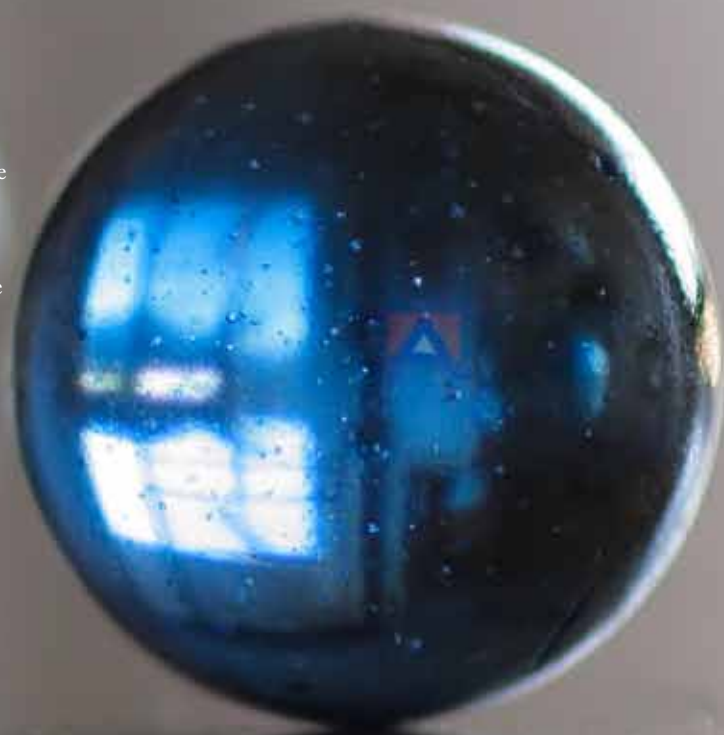
Obligations supported by the highest capacity for timely repayment.

## Corporate Governance Rating by JCR-VIS

**'CGR-8'**

### Definition by JCR-VIS:

High level of corporate governance



## Corporate Social Responsibility

24

The purpose of life is not to draw attention to ourselves, but to brighten the lives of those surrounding us.

A prosperous, healthy and educated community is a sign of success and therefore an important segment. It is only possible when there is a powerful and mutually beneficial relationship between the communities and the corporate entities. Allied Bank is socially committed to contribute towards bringing a positive change in the communities it conducts business in. We have in place an Annual Giving program which focuses on lending a helping hand aimed at education, healthcare, environment, arts and sports. Our Corporate Social Responsibility (CSR) philosophy and objective is to re-enforce the bank's image as 'Not just for profit'. We firmly believe in behaving ethically by following best practices and contributing to the economic development of the country at large.

Being one of the leading banks in Pakistan, we are committed to considering the interests of the society by taking responsibility for the impact of our activities on customers, employees, shareholders, communities and the

environment in all aspects of the bank's operations.

#### Education

Allied Bank has been the leading financial institutions in terms of supporting and furthering the cause of education through donations and sponsorships to leading educational institutions and non-profit organizations. In line with our past records, during 2008, we funded the following organizations and individuals to promote the cause of education:

- Lahore University of Management Sciences (LUMS)
- Indus Valley School of Art and Architecture
- HOPE
- Hamdard University
- Institute of Chartered Accountants of Pakistan
- CFA Association of Pakistan
- Family Education Services
- KHOJ-Society for People's Education

- Ms Aisha Khan (Student of Pakistan Law College, Lahore)
- Ms Mahwish Khan (Research Associate at The University of Punjab)
- The Karachi Education Initiative
- Tameer Welfare Association
- Zindagi Trust
- Tehzeeb Social Welfare Organization

#### Healthcare

Provision of healthcare is one of the key areas where Allied Bank is consistently committed to provide helping hand. To achieve the objective, the bank has made considerable contributions to the following institutions:

- Sahara for Life Trust
- Shaukat Khanum Memorial Cancer Hospital
- The Kidney Center
- The Aga Khan University Hospital
- Edhi Foundation
- Liver Foundation Trust
- Lahore Business Association for Rehabilitation of the disabled



*A wedding ceremony of 20 special couples sponsored by ABL in Faisalabad*



*Group Chief, CPBG presenting a donation cheque for Agha Khan Hospital, Karachi*



*Group photo of winners in various categories at 4th Allied Bank Golf Tournament*



*A student busy in painting*

## Sports

The zeal of sports runs high in the people of Pakistan. It is a passion to which the bank is also an equal partner. To share the sporting arena with our countrymen, the bank has allocated an extensive budget in terms of sponsoring events, tournaments and awards for the players.

Some of the sports that Allied Bank has sponsored and promoted over the years are Cricket, Squash, Golf, Football, Polo and Tennis.

In 2008, the bank supported the following organizations and events:

- Islamabad Tennis Association
- Pakistan Sports Welfare Association
- 4th Allied Bank Golf Tournament held at Lyallpur Golf Club, Faisalabad
- Lyallpur Golf Club
- PAF veterans Golf Tournament
- Arabian Sea Country Club Golf Tournament
- 18th All Pakistan Multan Open Golf Championship

## Arts and Culture

Supporting Arts and Culture of Pakistan is our newer initiative. Allied Bank desires to encourage young talent through financial assistance in holding their exhibitions and buying their paintings to be displayed at the bank's premises across the country.

As part of our endeavors to promote this flourishing social segment, we sponsored a paintings exhibition by Abdullah Syed.

Allied Bank has in the past sponsored similar exhibitions by renowned artists such as Iqbal Hussain, and Jamil Naqsh.

We intend to take this initiative one step ahead by joining hands with credible and non-profit organizations in order to hold exhibitions for their art students.

### The Green Office Program

In order to contribute positively to a better environment, we at Allied Bank are currently working on introducing "The Green Office Program", where focus

would be placed on waste and energy reduction. By introducing this program, we would be making an effort to reduce our environmental footprint. As a team, we have come up with a set of 'Green Rules' for our offices – things that we can do every day to make a difference! These green rules would focus on reducing energy consumption, discouraging unnecessary paper waste, adding real plants into the offices, being water-wise and supporting green businesses.

### Others

The bank continues to fulfill its commitment by contributing in a structured manner in other areas of the society that would have positive social impact.



## Notice of 63rd Annual General Meeting

Notice is hereby given that the 63rd Annual General Meeting of Allied Bank Limited will be held at Hotel Avari, Lahore on Friday, 27th March, 2009 at 11:00 a.m. to transact the following business:

### Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on 28th March, 2008.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank for the year ended December 31, 2008 together with the Directors' and Auditors' Report thereon.
3. To consider and approve Cash Dividend @ 10% (i.e. Re. 1.00 per share) as recommended by the Board of Directors in addition to Interim Dividend of 15% already paid for the year 2008.
4. To appoint Auditors for the year 2009 and fix their remuneration. Retiring joint Auditors M/s. M.Yousuf Adil Saleem & Co. Chartered Accountants and M/s. KPMG Taseer Hadi & Co. Chartered Accountants being eligible have offered themselves for reappointment.

### Special Business:

5. To consider and approve Bonus Shares by utilizing Share Premium Account @ 10% (i.e. one (01) share for every ten (10) shares as recommended by the Board of Directors of the Bank for the year ended 31.12.2008.

**Note:** Statements under section 160 of the Companies Ordinance, 1984 is appended below.

### Other Business:

6. To transact any other business with the permission of the Chair.

By Order of the Board

**Waheed-ur-Rehman**

Company Secretary

Date: March 6, 2009

Place: Lahore

Registered Office:

8-Kashmir /Egerton Road,  
Lahore.

### NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote is entitled to appoint a proxy under his / her own hand or through his/ her duly authorized attorney to attend and vote instead of himself / herself and the proxy must be a member of Allied Bank Limited.
- iii) The instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time for holding the Meeting.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from 21st March, 2009 to 27th March, 2009 (both days inclusive). Share transfers requests received at M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi, the Registrar and Share Transfer Office of the Bank at the close of business on 20th March, 2009 will be treated as being in time for the purpose of entitlement of cash dividend and bonus shares to the transferees.
- v) Members are requested to immediately notify the changes, if any, in their registered address to Bank's Share Registrar M/S Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement if any, be dispatched at the correct address.
- vi) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

### A. For Attending the Meeting

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his /her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of the Meeting.



#### B. For Appointing Proxies:

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (if it has not been provided earlier) along with the proxy form of the Company.

#### Statements under Section 160 of the Companies Ordinance, 1984

##### Item N0 5: Issuance of Bonus Shares

To approve capitalization of a sum of Rs. 646,364,330 (Rupees Six Forty Six million three hundred sixty four thousand three hundred thirty only) out of Share Premium Account for the issuance of bonus shares (B-5) in the proportion of 1 share for every 10 shares and approve the following resolution by way of Special Resolution:

#### “Resolved that:

- a) A sum of Rs. 646,364,330 out of shares premium account be capitalized and applied for the issuance of 646,364,330 Ordinary shares of Rs. 10 each in the proportion of 1 share for every 10 Ordinary Shares held, allotted as fully paid-up Bonus Shares to the members of the Bank whose names appear on the Register of Members of the Bank as at close of business on March 20, 2009.
- b) The bonus shares entitlement in fraction be consolidated into whole shares and Company Secretary is hereby authorize to sell the same in the Stock Market and proceeds of sale when realized be given to a charitable institution.
- c) CEO and the Company Secretary of the Bank be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issuance, allotment and distribution of Bonus Shares (B-5).”

The Directors of the Company have no interest in the property or profits of the Bank other than that as holders of ordinary shares in the capital of the Bank and dividends, if any declared by the Bank according to their share holding.

## Directors' Report

### Dear Shareholders

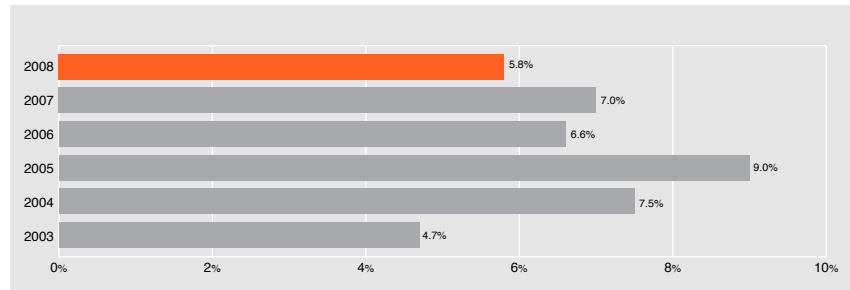
On behalf of the Board, we are pleased to present the annual report of your Bank for the year ended December 31, 2008.

The Country, during 2008, witnessed various challenges. GDP growth moderated to 5.8%, well below the target of 7.2% and previous 5-year average of 6.8% owing to a combination of domestic and external factors. Energy shortages, disappointing crop harvests, political uncertainty, international commodity prices boom and global financial crisis are a few examples.

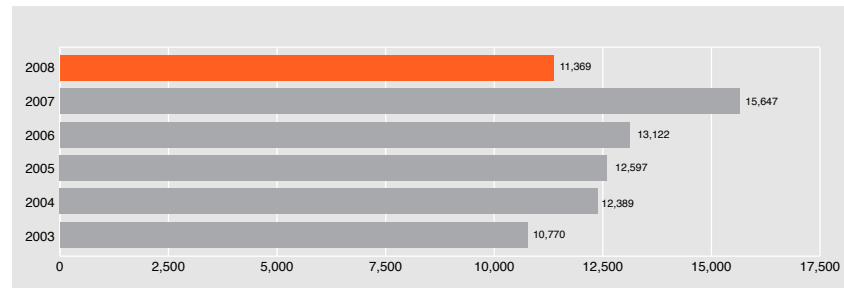
Agriculture sector growth fell to 1.5% during FY08, significantly lower than the 4.8% target for the year. Shortfalls in wheat and cotton output overshadowed the record sugarcane harvest, relatively improved performance of minor crops and livestock during the year. Rising fuel and raw material prices, intensifying energy shortages obstructed the industrial activities in FY08. Manufacturing sector growth, led by slowdown in Large Scale Manufacturing (LSM), continued to decelerate for the third consecutive year. In sharp contrast to the weak agriculture and manufacturing sectors' performance, the services sector showed above target growth with increase of 8.2% during FY08 as against 7.6% target. The resilience exhibited by the services sector helped keep GDP growth to a respectable level by contributing above three-fourth of the total value addition during FY08.

Global commodity price shock hit Pakistan most as the country is heavily dependent on oil imports and the intensity of surge in international prices was severe. The Government was unable to pass on the effects of international commodity prices in the domestic market, leading to significant strain on the resources. The fiscal deficit turned out

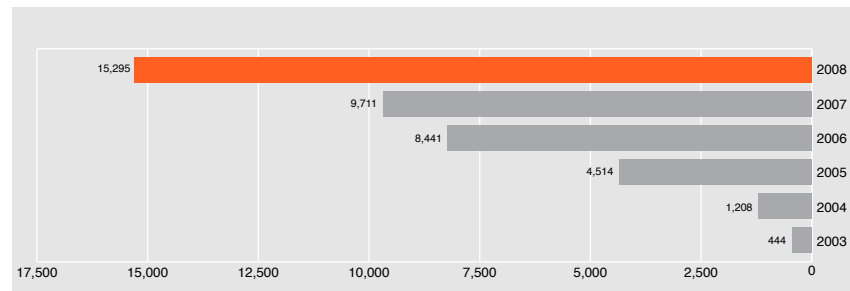
**GDP Growth**  
(Percentage)



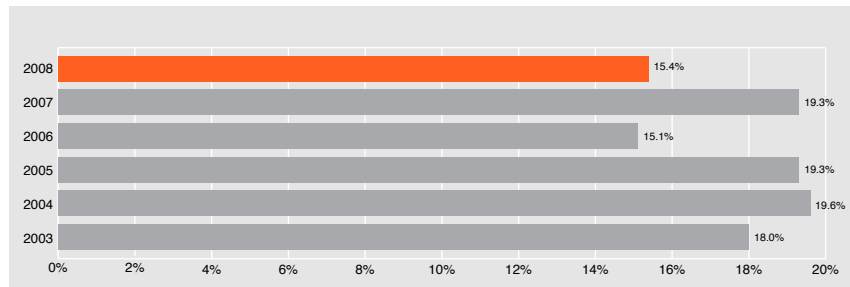
**Foreign Exchange Reserves**  
(US \$ millions)



**Trade Deficit**  
(US \$ millions)



**M2 Growth**  
(Percentage)





to be 7.4% of GDP which was almost 3.4% above the budget target. Rising oil & other importable commodities international prices and loose import policies nearly doubled the external account to 8.4% of GDP.

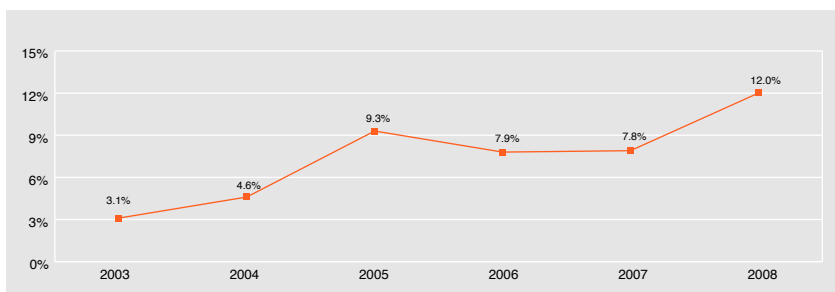
In addition to the above, the aggregate demand pressures, outstripping the supply availability, intensified the inflationary pressures. CPI inflation was recorded at 12.0% during FY08 versus 7.8% during FY07. Although inflationary pressures started building up during the early months of FY08, an extraordinary sharp rise in inflation was witnessed in the last four months of the period. The strength in inflation during the first eight months of FY08 was mainly driven by domestic food inflation backed by strong aggregate demand pressures. On the other hand, the steep rise in inflation during the last four months of FY08 was the result of unanticipated strength of international commodity prices, upward adjustment in administered prices of fuels and pressures on prices of wheat. A sharp depreciation of rupee during this period also fueled inflationary expectations in the economy pushing inflation to levels not seen in the last three decades.

Recently inflation has started decelerating due to a combined effect of significant correction in global commodity prices, tight monetary policy and stability in the exchange rate. To control inflation discount rate was aggressively hiked by 500bps during 2008 to 15.0%. After touching a peak of 25.3% in August 2008, headline inflation has recently come down to 23.3% in December 2008. However, core inflation is still trading close to 18%.

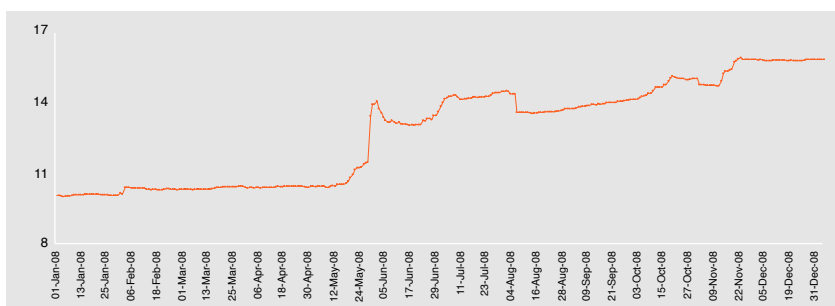
KSE 100 index started year 2008 by quickly absorbing the political shocks peaked at 15,676 level in April (11.37% rise from 31st Dec 07), and thereafter,



Consumer Price Index  
(Percentage)



6 Months KIBOR  
(Year 2008)



experienced the worst fall of decade. The market exhibited a fall of 58.3% to close at the level of 5,865. Stock markets world over depicted a sorry picture of worse year in the history of financial markets. Although, KSE remained insulated owing to artificial floor, fall of 36 % after the removal of floor has brought it to par of the regional peers.

## Bank's Financial Review

The banking sector faced a daunting task of maintaining stable balance sheet while ensuring to secure profitability margins for the shareholders. Your bank, despite economic challenges faced by the country, has registered an impressive operating profit of Rs.9.8 billion, which is up by 10% over last year. Profit before and after tax stood at Rs.6.12 billion and Rs.

## Directors' Report

4.16 billion respectively compared to Rs. 5.95 billion and Rs.4.08 billion last year. These results, under the circumstances, show a strong resilience by your bank to the tough challenges. This would not be out of place to mention here that a provision of Rs.1.7 billion, based on the best estimate, has been accounted for against impairment on 'Available for Sale' listed equity securities, which is further explained herein below.

Consequently, Return on Equity (RoE) and Return on Assets (RoA) stood at 21.2% and 1.21% respectively.

Mark-up / interest income of the Bank grew by 44% to reach Rs.30.6 billion led by earning assets growth coupled with the re-pricing at higher interest rates. Average earning assets rose by 21%. Mark-up / interest expense rose by 64.1% to Rs.16.6 billion. Effective, June 1,

2008, all the banks were required to pay a minimum of 5% on PLS deposits, which, together with the shrinking liquidity experienced by the banking industry, during the last quarter of 2008, led to increase in cost of deposits, which rose to 5.1% from last year's 4.0%. Net mark-up / interest income, as a result, rose by over 26% to Rs.14.0 billion primarily due to higher interest rate spread which rose to 5.7% compared with last year's 5.1%.

Non mark-up income rose to Rs.4.2 billion or up by almost 6%. This works out to be 23% of gross income for 2008. The core fee, commission and brokerage income grew by over 19% to Rs.1.98 billion.

Your bank's operating expenses increased by 36% to Rs.8.4 billion. Voluntary Retirement Scheme (VRS), Employee benefits, planned expansion with lot

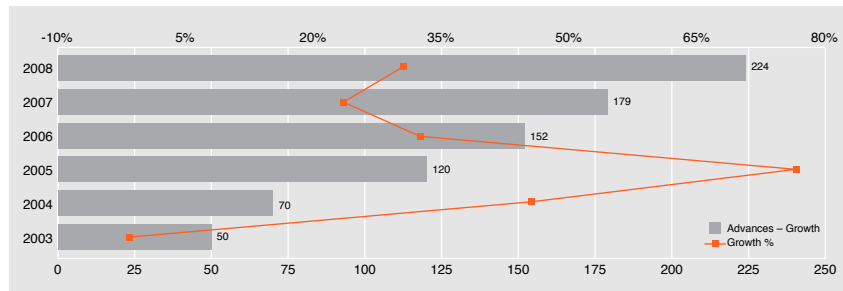
of emphasis on IT infrastructure and renovation of branch network complemented by the high inflation are the primary reasons for such an increase. Various expenses, including VRS, tend to have a long term impact on improving bank's operating efficiency and in turn, on business retention as well as quality growth. Expense to revenue ratio thus increased to 46.2% up from last year's 41.1%.

Despite slower pace of M2 growth this year, your bank's deposits increased by 13% to reach at Rs.297.5 billion mark. Your bank is focused on maintaining the right mix and concentration. That was demonstrated by almost 15% growth in non-remunerative Current Accounts which resulted in 8% growth in Current & Saving Accounts (CASA).

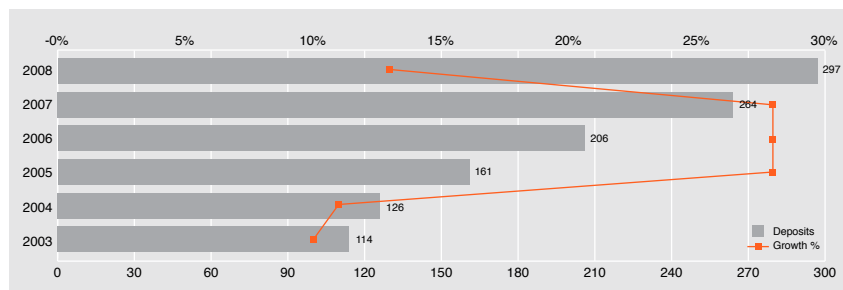
This deposit growth has enabled us to increase our market share by 40 basis points, in only one year's time, to reach 7.8% by end of the year 2008.

Loan portfolio of your bank grew by 25.3% to Rs.223.6 billion represented by 72% corporate loan book and 19% SME loan book. Your bank manages its loan portfolio while remaining vigilant of changing economic environment. The Bank has managed to increase its market share by 40 basis points to 7.1% by end of the year 2008.

Gross – Advance  
(Rs. in billion)



Deposits  
(Rs. in billion)





NPL ratio has improved to 6.2% from last year's 6.4. The loan loss coverage ratio works out to 77.5% compared to last year's 89.1%.

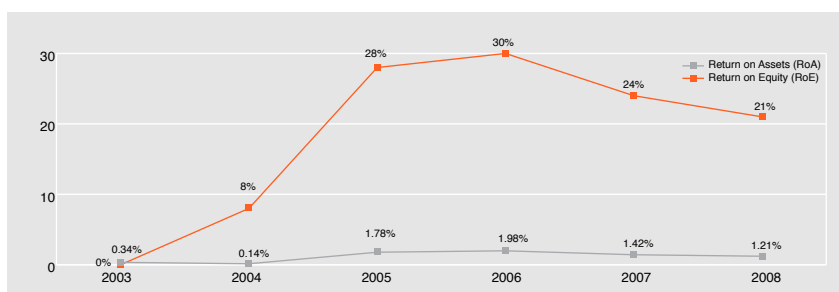
### Earnings Per Share (EPS)

EPS of your Bank for the year ended 2008 is Rs. 6.43 per share, up by 2% from last year's Rs. 6.31 per share.

### Capital Adequacy

The SBP recently required to link banks' Capital Adequacy Ratio (CAR) with the CAMEL-s ratings. However, it subsequently provided some relaxation by restricting it a minimum of 9% for only 2008. Your bank's CAR at December 31, 2008 was worked out at 10.90% improved from last year's 10.26%. This reflects our focus on balance sheet leveraging while also ensuring regulatory compliance.

### Return on Assets and Return on Equity (Percentage)



### Appropriations

The Board of Directors has recommended the following appropriations of the profit for the year ended December 31, 2008.

	<i>Rs. in millions</i>
Profit after tax for the year	4,157
Accumulated profits brought forward	6,971
Transfer from surplus on revaluation of fixed assets – net of tax	18
Profit available for appropriation	11,146
Interim cash dividend for the year ended December 31, 2008 (Rs. 1.5 per share @15%)	970
Cash dividend for the year ended December 31, 2007 declared subsequent to the year end (Rs. 1.5 per share @15%)	808
Bonus shares for the year ended December 31, 2007 declared subsequent to the year end (Rs. 1.5 per share @15%) *	-
Transfer to Statutory Reserves	831
Accumulated profits carried forward	8,537

\* Appropriated out of Share Premium Account

The Board of Directors has proposed a final cash dividend of Rs. 1 per share and to issue bonus shares in the proportion of one share for every 10 shares held, i.e., 10%, for the financial year 2008. This will be put up for approval in the forthcoming annual general meeting.

The Board fully endorses management views on treatment of impairment on equity investment as more fully explained in note 9.3.2 to the audited financial statements for the year under review, which is reproduced here under:

### Impairment on Available for Sale Listed Equity Instruments

The Karachi Stock Exchange (Guarantee

Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December

## Directors' Report

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31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'Available for Sale' to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/ effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at December 31, 2008 has been determined at Rs.3.5 billion. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Since full recognition of impairment based on market values as at December 31, 2008, for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial results of the Bank, therefore the management on the basis of their estimates and prudence has made a provision of Rs.1.7 billion against the total amount of Rs.3.5 billion.

The recognition of entire impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	<i>Rupees in '000</i>
Increase in 'Impairment Loss' in Profit and Loss Account	1,859,256
Decrease in tax charge for the year	650,740
Decrease in profit for the year - after tax	1,208,516
Decrease in earnings per share -after tax (basic and diluted) (Rs.)	1.87
Decrease in deficit on revaluation of available for sale securities	1,859,256
Decrease in unappropriated profit	1,208,516

### Statement of Internal Control

The Board is pleased to endorse the statement made by the management relating to internal control. The Management's Statement on Internal Control is included in the annual report.

### Risk Management Framework

The Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring process that are closely aligned with our long term strategy. The Risk Management Group (RMG) is mandated to implement this framework as a function independent of commercial lines of business.

In addition, a Management Committee comprising members of senior management discusses significant risk issues that arise and recommends risk policies prepared by RMG to the Board Risk Management Committee and the Board for approval. This ensures that risk oversight and governance occur at the highest levels of management.

During 2008, RMG took several steps to further strengthen the Risk Management Framework, for example:

- Initiated the Basel II Implementation phase with assistance of a reputable advisory firm to implement the Credit Risk Standardized Approach and to subsequently migrate to Credit Risk Foundation Internal Ratings Based Approach. Further, the Bank is in the process of finalizing the Operational Risk Framework to comply with the Operational Risk Standardized Approach. Various sub-projects are underway, that will be executed over a time span of two years, to bring the bank in compliance with the Basel II approaches. This is an important step in the alignment of regulatory and economic capital requirements.



- Initiated the development and implementation of Market Risk Management Framework with assistance of internationally reputed banks' Risk Advisory Services, so that the bank can efficiently manage liquidity and market risk. The project is currently underway and completion is expected during 2009.
- Initiated the process of deploying a suite of Risk Management Solutions from one of the leading global firms, to meet the sophisticated data management and reporting requirements under Basel II. The solutions would enable the bank to meet the regulatory requirements as set out by the State Bank of Pakistan to achieve compliance with Basel II.

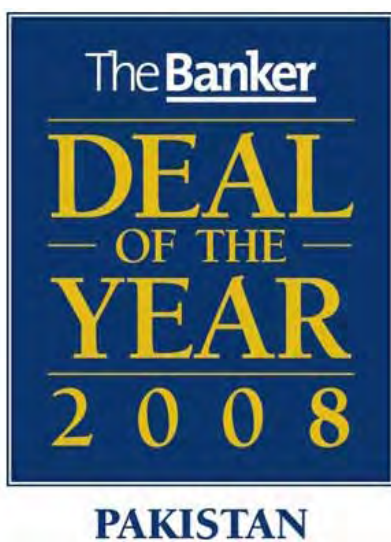
The Bank devotes considerable resources in managing the risks to which it is exposed. The momentum attained thus far will be continued in the future through significant investments in human resources, technology and training.

### Deal of the Year Award 2008 by 'The Banker' - UK

Your bank has been awarded the Deal of the Year Award 2008 for Pakistan by The Banker magazine - United Kingdom. This was awarded in recognition of Balance Sheet Restructuring & Debt Re-profiling of Maple Leaf Cement Factory Limited for Rs.13 billion which was the largest ever financing extended to a cement company in Pakistan. As the sole financial advisor and lead arranger, Allied Bank was involved in a well-engineered structure and a timely execution that made the transaction a success.

### Corporate Finance House of the Year 2007

We feel pleased to apprise you that your bank has been awarded 'Corporate Finance House of the Year (Banks)' for the second consecutive year. CFA Association of Pakistan, a member society of CFA Institute - USA, conferred the award on Allied Bank based on the



highest value and number of corporate finance concluded during July 2006 – December 2007.

### Corporate Report Award & Certificate

During the year, Annual Report of your bank for the year 2007 won the first prize for "the Best Corporate Report" for the financial sector category, awarded jointly by the Institute of the Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. The Annual Report for the year 2007 was also awarded 'Certificate of Merit' by the South Asian Federation Accountants (SAFA), an apex body of the SAARC countries.

### Term Finance Certificate (TFC) - 1st issue

In July 2008, JCR-VIS Credit Rating Company upgraded the rating assigned to your bank's TFC to 'AA-' from 'A+' earlier, with stable outlook.

### Credit Rating

Your Bank's credit rating has been maintained to 'AA' for long term, by The Pakistan Credit Rating Agency. 'AA' denotes a very low expectation of credit risk, indicates very strong capacity for timely payment of financial commitments

and not significantly vulnerable to foreseeable events.

The short term rating was also maintained at 'A1+', which is the uppermost possible rating under this category and represents highest capacity for timely repayment.

### Corporate Governance Rating

Corporate Governance Rating (CGR) is meant to indicate the relative level to which an organization accepts and follows the codes and guidelines of corporate governance practices. In this context, JCR-VIS Credit Rating Company Limited had assigned a corporate governance rating of 'CGR-8' to your bank during the last year, which denotes 'high level of corporate governance' and is only two notches away from the highest level of CGR.

CGR is arrived at after evaluating key governance elements of the rated enterprise, which include regulatory compliance, ownership structure, composition and operations of the board of directors and executive management, self-regulation, financial transparency and relationship with stakeholders. Rating for the current year is under process.

### Top 1000 Banks of the World - Ranking

We are pleased to inform you that your bank has been ranked among the top 1000 banks of the world by UK's 'The Banker', published by Financial Times London. The categories and ranking are as follows.

Rank Categories	Rank
<i>Performance based</i>	
Profit on average capital (RoE)	31st
Return on assets (RoA)	130th
Real profit growth	206th
<i>Soundness based</i>	
Capital assets ratio	517th
<i>Size based</i>	
Assets	846th
<i>Overall world ranking</i>	969th

## Directors' Report

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### Whistle Blowing Policy

With a view to encourage the employees of your bank to voice their concerns about suspected fraudulent activities and malpractices that may have an adverse impact on the business or goodwill of the bank or in some cases, even on the society at large, the Board of Directors of your Bank approved last year the Whistle Blowing Policy, providing the basis of an effective whistle blowing arrangement in the Bank. The function is established under direct supervision of the Audit Committee. This initiative provides a transparent working environment in the bank.

The concern might not only be of a financial nature but it could also be illegal conduct posing a danger to the repute of the bank.

### Launch of ABL Income Fund by the ABL Asset Management Company Limited (AMC) – Wholly Owned Subsidiary

In order to provide a wide range of investment products and to complement its banking business, your bank's

subsidiary, ABL AMC, launched its first open ended mutual fund, ABL Income Fund (the Fund). The fund is catering to the needs of various segments of customers.

JCR-VIS Credit Rating Company Limited has assigned management quality rating of AM3 to ABL AMC and A(f) to the Fund.

### ATM Network

Your Bank continued to maintain its lead of being the top Bank with highest number of ATMs. The number of ATMs increased to 502. This achievement is enhanced with an extended reach, covering 145+ cities thereby making it the widest geographical network for ATM based services amongst all the banks in Pakistan.

### Statement under Code of Corporate Governance

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is pleased to report that:

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from them has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- 'Management Discussion & Analysis' gives a detailed overview of the operating results and significant variations.
- There has been no material departure from the best practices of corporate governance.
- A summary of key operating and financial data for last six years is included in this Annual Report.
- The book value of investment and accrued profit on investment of Pension Fund, Provident Fund, Gratuity Fund and Welfare Fund is Rs.5,578 million, Rs.2,778 million, Rs.473 million, Rs.144 million respectively as per audited accounts of the funds for the year ended December 31, 2007.
- Pattern of Shareholding is annexed.
- Statement of Compliance with Code of Corporate Governance is annexed.
- We have criteria for nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company. The Human Capital Committee of the Board decides the nominations.
- Board of Directors has the following sub-committees with clearly laid down Terms of Reference/Charter:
  1. Audit Committee
  2. Human Capital Committee
  3. Risk Management Committee
  4. e-Vision Committee
  5. Strategic Planning & Monitoring Committee



your groceries, dine at your  
e restaurants, enjoy shopping,  
ing and a lot more with your...

# Allied Cash Shop

VISA Debit C

Allied Bank

762 1234 567  
05/08 VALID THRU 05/12  
HASSAN FARHAJ  
ELECTRONIC USE O



Welcome  
New Dimen

Allied Ba  
aap kay sa

Allied  
Cash  
Shop  
VISA Debit

## Directors' Report

### Meetings of the Board

Six meetings of the Board were held during the year under review. The Board granted leave of absence to the directors not attending the meetings. The numbers of meetings attended by each director for this period are as under:

Name	Designation	Attendance
Mohammad Naeem Mukhtar	Chairman	5
Sheikh Mukhtar Ahmed	Director	3
Mohammad Waseem Mukhtar	Director	6
Abdul Aziz Khan	Director	5
Sheikh Jalees Ahmed	Director	6
Farrakh Qayyum	Director	6
Nazrat Bashir	Director	4
Tasneem M. Noorani	Director	5
Mubashir A. Akhtar	Director	6
Pervaiz Iqbal Butt	Director	6
Mohammad Aftab Manzoor	Director/CEO	6

### Auditors

The present auditors Messrs M. Yousuf Adil Saleem and Co., Chartered Accountants and Messrs KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment for the next term.

### Outlook

Pakistan's economy has faced severe domestic and external pressures in FY08, effects of which are still being felt. Pakistan entered into 23 months Stand-by Arrangement of \$7.6bn with IMF. \$3.1bn has already been disbursed with remaining \$4.5bn to be disbursed in 6 quarterly installments. This has stabilized the position and has reduced pressures on the exchange rate side.

We expect macroeconomic environment will gradually improve, starting 2HFY09. The major reasons are decreasing demand pressures and reduction in global commodity prices. While full year current account deficit number is expected to remain on the higher side, there is significant improvement in the

recent months. On the domestic side, lower subsidy burden has reduced fiscal pressures though Government's continued dependence on central bank for fiscal deficit financing is an alarming sign. However, 1QFY09 and initial 1HFY09 annualized fiscal deficit numbers look with full year deficit target of 4.2%.

Inflation has already started coming down from its peak level. Looking at the subdued incremental inflationary pressures, economists are expecting significant correction in the coming few months.

The Board and the management are confident to continue maintaining steady growth strategy, while consistently monitoring the prevailing economic slowdown, which, going forward, may lead to industry wide contraction in credit expansion, slow growth in deposits and at the same time give rise in nonperforming assets.

### Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the



date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

### Acknowledgements

On behalf of the Board and management, we would like to express our sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their continuous guidance and support, and employees for all their continued dedication, enthusiasm and loyalty.

Mohammad Aftab Manzoor  
*Chief Executive Officer*

Mohammad Naeem Mukhtar  
*Chairman*

Dated: February 27, 2009  
Place: Lahore

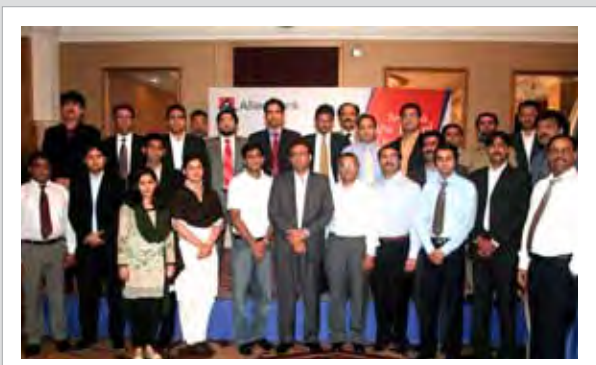




CEO presenting a certificate to one of the top performers in Grand Finale of Deposit Mobilization Scheme



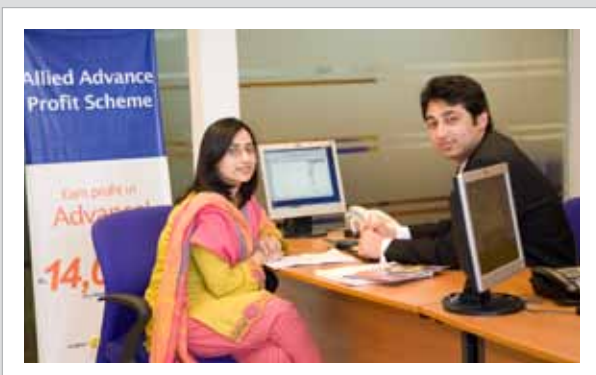
Group Chief, CRPG addressing at Grand Finale of Deposit Mobilization Scheme



A group photo at team building exercise



One of the winners with his brand new car awarded under Deposit Mobilization Scheme



Two employees indulged in discussion



One of the millions satisfied customers



One of the privileged senior citizen customers



Dr. Ishrat Hussain presenting the Best Corporate Report Award (1st Prize - Financial Sector), arranged by the Joint Committee of the ICAP & ICMAP

## Management Discussion and Analysis year ended December 31, 2008

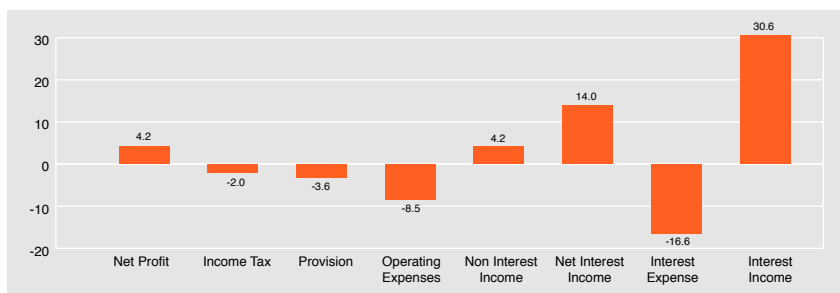


### Profit

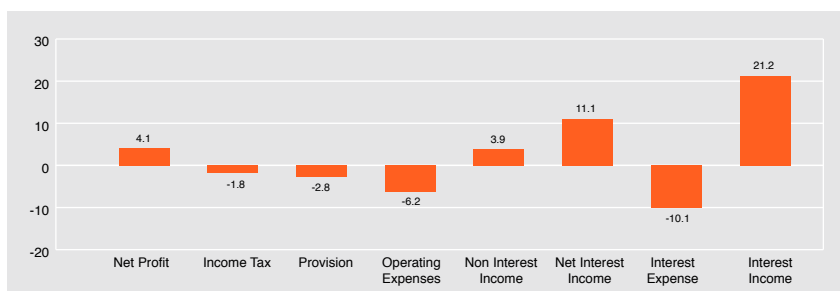
Allied Bank has performed well despite various challenges faced by the country on domestic front and led by the global recessionary trend as the bank has posted an operating profit of Rs.9.8 billion, which is up by 10% over Rs.8.8 billion

registered during 2008. Profit before and after tax stood at Rs.6.12 billion and Rs. 4.16 billion respectively compared to Rs. 5.95 billion and Rs.4.08 billion last year. This growth has been achieved in spite of a good portion of impairment losses on 'Available for Sale' equity investment recognized in profit and loss during 2008.

P & L Composition 2008  
(Rs. in billion)



P & L Composition 2007  
(Rs. in billion)



Ever improving customer confidence, the largest ATM network with wide geographical coverage, customer focused products & services and target marketing are a few factors behind the steady performance. Consequently, Return on Equity (RoE) stood at 21.2% with Return on Assets (RoA) reaching 1.21%.

The Bank's RoE was rated as one of the top 40 in the world, besides other ratings, by UK's 'The Banker', published by Financial Times London. The categories and ranking are as follows.

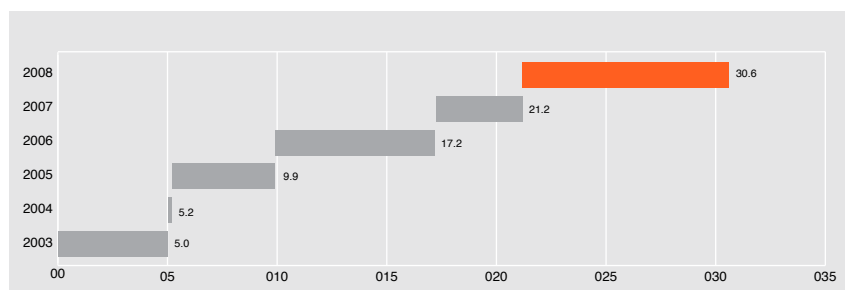
Rank Categories	Rank
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Profit on average capital (RoE)	31st
Return on assets (RoA)	130th
Real profit growth	206th
<i>Soundness based</i>	
Capital assets ratio	517th
<i>Size based</i>	
Assets	846th
<i>Overall world ranking</i>	969th

### Net Mark-up / Interest Income

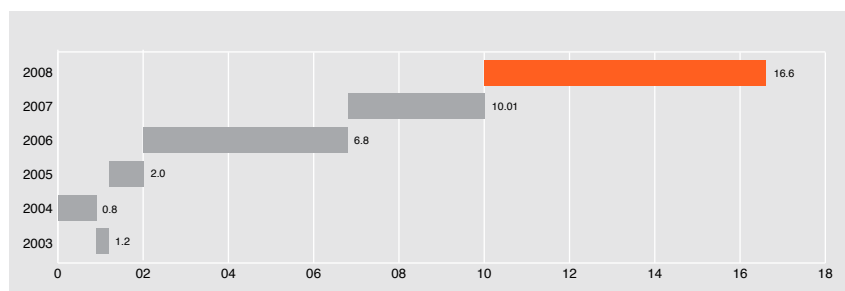
Mark-up / interest income of the Bank grew by 44% to reach Rs.30.6 billion led by earning assets growth coupled with the re-pricing of assets at higher interest rates. With the quality of growth given priority, average earning assets rose by 21%. Further, the management was able to structure its assets to ensure that assets are re-priced adequately in the rising interest rate scenario. As a result, the yield on average earning assets rose by 2%.

Mark-up / interest expense rose to Rs.16.6 billion depicting a rise of 64.1%. Effective, June 1, 2008, all the banks were required to pay a minimum of 5% on PLS deposits, which interalia led to increase in cost of deposit, which rose to 5.1% from last year's 4.0%. The banking industry experienced shrinking liquidity this year, which, therefore, led to deposits pressure. Given the liquidity issues and

### Interest Income (Rs. in billions)



### Interest Expense (Rs. in billions)



the State Bank of Pakistan's move to raise its policy rate (Discount rate), though in staggered manner, by 500 basis points, the low cost deposit mobilization became even more daunting. Yet, the bank was able to restrict rise in its cost of deposits by approximately 110 basis points, which is well below the rise witnessed in yield on average earning assets.

Net mark-up / interest income, as a result, rose by over 26% to Rs.14.0 billion as Interest rate spread grew to reach remarkably above 5.7% compared to 5.1% last year.

### Non Mark-up Income

Non mark-up income grew by 5.9% to Rs.4.2 billion, contributing 23% to gross income. The core fee, commission and brokerage income grew by over 19% to Rs.1.98 billion. Amidst global recession and weakening economy, the bank was still able to grow its investment banking fee income remarkably by 24% to Rs.299 million. Account maintenance charges fell by 23% to Rs.314 million primarily

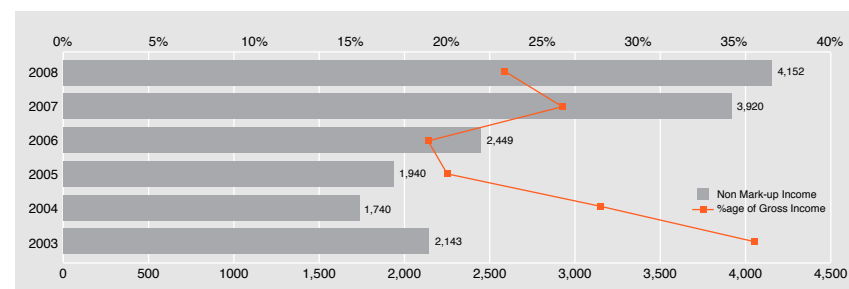
due to easing out of minimum account balance requirement for the depositors' convenience.

Despite turbulence witnessed in equity and money market, the bank managed to record a capital gain and dividend income flat at Rs.1.6 B compared to last year. Income from dealing on foreign currencies also improved by over 18%.

### Operating Expenses

The bank's operating expenses rose to Rs.8.4 billion or 36% over last year. Increased loan book and deposits volumes, that too amid overwhelming challenges

### Non Markup / Interest Income (Rs. in million)



on deposits retention front, planned expansion and renovation of branch network complemented by the high inflation were the primary reasons for such an increase. Further, various branches were relocated to strategic locations, incurring higher costs, to support business growth. Various expenses tend to have a long term impact on improving bank's image and in turn, on business retention as well as growth.

Expense to revenue ratio increased to 46.2% up from last year's 41.1%. Intermediation cost ratio increased to 2.99% compared to 2.63% last year

### Impairment on Equity Investments

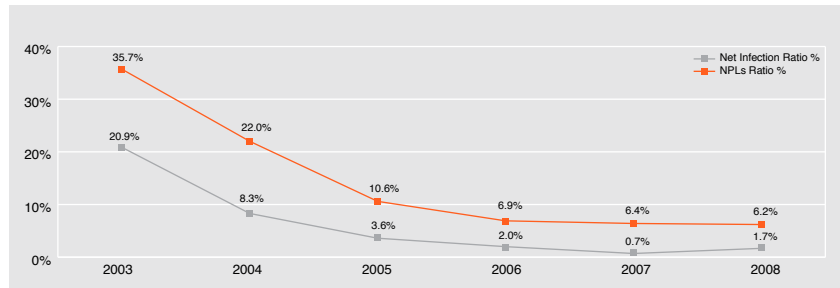
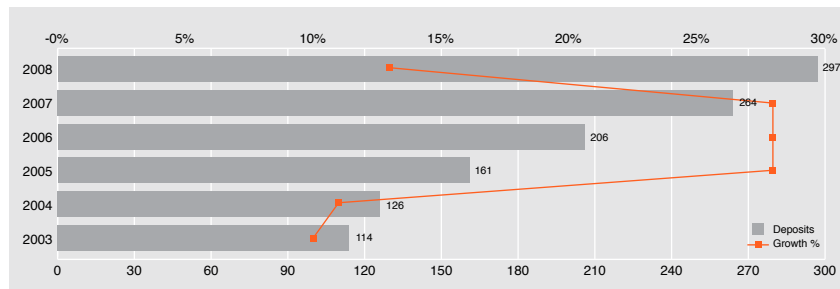
The bank has accounted for Rs. 1.7 billion impairment loss against listed equity investments under 'Available for Sale' category, on prudence grounds, though it was allowed by the SBP recently to take it to equity.

### Loans Quality Analysis

In determining the classification of loan portfolio, we align our judgment with a series of criterias that are derived from SBP guidelines. The table hereunder sets forth, as of the dates indicated, the distribution of our loan portfolio by five-category loan classification.

Global output has been on a recessionary path and our country is not an exception to this. With this and that too in a high interest rate scenario, risk management becomes one of the toughest challenges.

## Management Discussion and Analysis year ended December 31, 2008

NPL Ratios  
(Percentage)Deposits  
(Rs. in billion)

NPLs rose by 21.3% over last year to reach Rs.13.8 billion. The management of the bank is vigilant of its loan portfolio and is pursuing stringent risk management policies with a balanced growth approach.

NPL ratio has improved to 6.2% from last year's 6.4%. The net NPLs to net loans ratio worked out at 1.46% compared to last year's 0.74%. The loan loss coverage ratio works out to 77.5% compared to last year's 89.1%.

## Deposits

Customer deposits remained our major source of funding also during FY08. Despite slower pace of M2 growth this year, the bank registered a deposit growth of 13% to reach at Rs.297.5 billion mark. The banking system witnessed shrinking liquidity during the last quarter this year, which made deposit retention extremely challenging. It is, therefore, widely expected for overall industry deposits to post a meager growth, which is also suggested by the statistics published by the SBP.

Rupees in million	Dec. 31, 2008		Dec. 31, 2007	
<b>Performing Loans</b>	<b>209,868</b>	<b>93.8%</b>	<b>167,169</b>	<b>93.6%</b>
<b>Non-Performing Loans</b>				
Other Assets Especially Mentioned	41	0.02%	33	0.02%
Substandard	3,805	1.7%	1,312	0.7%
Doubtful	722	0.3%	533	0.3%
Loss	9,204	4.1%	9,477	5.3%
<b>Sub-total</b>	<b>13,772</b>	<b>6.2%</b>	<b>11,355</b>	<b>6.4%</b>
<b>Total Advances</b>	<b>223,640</b>	<b>100%</b>	<b>178,524</b>	<b>100%</b>

Despite these tough market conditions, the bank was not only able to maintain its Current & Saving Accounts (CASA) but also grew these by 8.1%, featured primarily by 14.8% growth witnessed in non-remunerative Current Accounts. With the management's focus also on average balance growth, CASA rose significantly by 16% year on year on average balance basis. Various customer centric deposit schemes registered impressive growth of 17.8%.

This deposit growth has enabled us to increase our market share by 40 basis points, in only one year's time, to reach 7.8% by end of the year 2008.

## Loan Book

Loan portfolio (gross) of the Bank grew by 25.3% to Rs.223.6 billion compared to Rs.178.5 billion last year. Loan portfolio is expected to further diversify among different products and business segments in the year 2009.

Owing to tough economic situation, various industries have come under pressures and have potentials to impair their ability to repay debts owed to banks. The bank is vigilant of this changing scenario and has been strategizing concentration of bank's exposures across the industries accordingly.

The management is also watchful of impact of loan book's growth on capital adequacy.

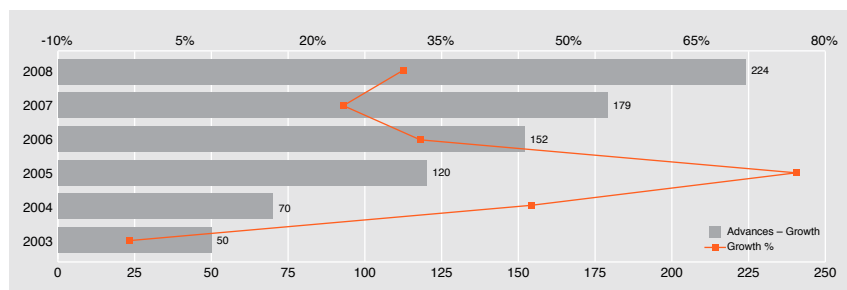
NPL ratio has improved to 6.2% from last year's 6.4%. The loan loss coverage ratio works out to 77.5% compared to last year's 89.1%.

## Earnings Per Share (EPS)

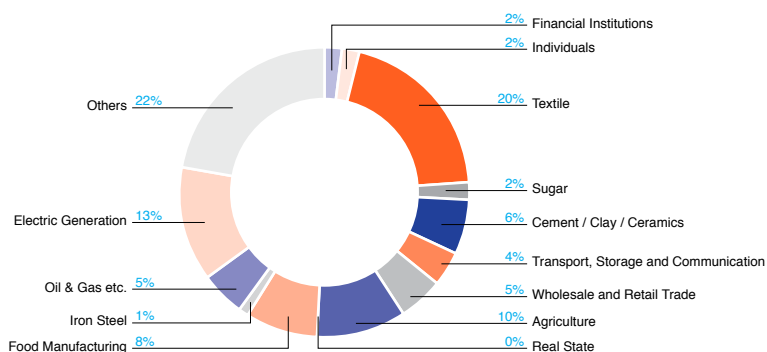
The Earnings per Share of the Bank for the year ended 2008 is Rs.6.43 per share, up by 2% from last year's Rs. 6.31 per share.



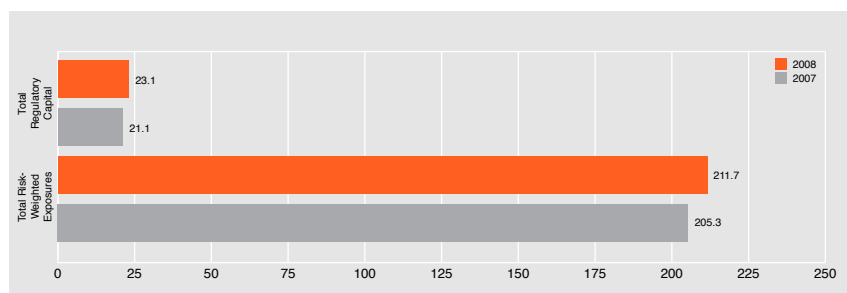
**Gross – Advance**  
(Rs. in billion)



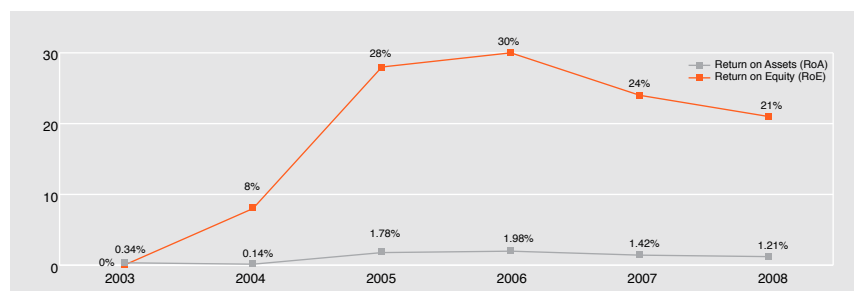
**Advances – Segment Wise Business**  
(2008)



**Risk Weighted Assets and Total Regulatory Capital**  
(Rs. in billion)



**Return on Assets and Return on Equity**  
(Percentage)



**Capital Adequacy**

The State Bank of Pakistan (SBP), in September this year, introduced variable Capital Adequacy Ratio (CAR). The CAR was linked with banks' respective CAMEL-s rating with SBP having right to increase on a case to case basis. However, SBP later on restricted CAR requirement to a minimum of 9%. The bank has strategized its exposures to cater to this stiffer requirement and is well aware of even stiffer requirements that banks could be subjected to in the years to come.

The bank's CAR under Basel II Accord was registered at 10.90% compared to 10.26% last year. This shows bank's focus on balance sheet strengthening while also ensuring regulatory compliance.

## Statement of Compliance with Code of Corporate Governance

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This statement is being presented to comply with the terms of the Code of Corporate Governance as contained in Prudential Regulation No.G-1, and Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Bank has adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
2. The Bank encourages representation of independent directors on its Board of Directors. At present, the Board includes 3 independent directors, 3 family directors (25% of the same family), 2 executive directors and 3 non-executive directors, including two Government nominees.
3. All the directors of the Bank are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFC.
4. Election of the Directors was held on August 17, 2006 for a fresh term of three years.
5. No casual vacancy occurred in the Board during the year 2008.
6. The Bank has adopted a "Statement of Ethics & Business practices", which has been signed by all the directors and employees.
7. The mission / vision statement, overall corporate strategy and significant policies have been approved by the Board. The Bank maintains a complete record of the particulars of significant policies along with the dates on which these were approved or amended.
8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer are taken by the Board.
9. The Chairman of the Board is a non-executive director. The Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Pakistan Institute of Corporate Governance (PICG) had awarded one of the Board member title of "Certified Director". Other members of the Board had completed few parts of the certified directorship. The Bank also encourages participation of members of Board to attend Seminars/ workshops conducted by various forums.
11. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report for the year ended December 31, 2008 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
15. The Bank has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee which comprises of four members; majority of the members including Chairman of the Committee are non-executive directors. One of the members is a Government nominee.
17. The meetings of the Audit Committee are held at least once in every quarter, prior to the approval of interim and the annual financial statements of the Bank as required by the Code. The Board had approved Charter of the Audit Committee.
18. An independent Internal Audit Department is in place.
19. The statutory joint auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board.

Mohammad Aftab Manzoor  
Chief Executive Officer

Place: Lahore  
Dated: February 27, 2009

Our core focus  
is to inculcate  
a culture of  
collaboration  
intended to  
deliver world class  
customer service

Allied  
Profi





## Statement of Ethics and Business Practices

All employees of Allied Bank Limited, hereinafter called ABL, shall:-

### Abidance of Laws / Rules

- Conform to and abide by the ABL rules and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control they may for the time being, be placed. They shall comply with and observe all applicable laws, regulations and ABL policies.
- Stand firmly against supporting the activities of any group or individual that unlawfully threatens public order and safety. They shall not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not bring or attempt to bring political or other pressure/influence directly or indirectly to bear on the authorities / superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the news papers, anonymously or in their own name with an intent to induce the authority/superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

### Integrity

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with the public, clients, investors, employees, and fellow bankers and not engage in acts discreditable to ABL, profession and nation. If they become aware of any irregularity that might affect the interests of ABL, they shall inform the senior management immediately.
- Maintain all books, data, information and records with scrupulous integrity, reporting in an accurate and timely manner all transactions / reports.

- Avoid all such circumstance in which there is personal interest conflict, or may appear to be in conflict, with the interests of ABL or its customers.
- Not use their employment status to seek personal gain from those doing business or seeking to do business with ABL, nor accept such gain if offered. They shall not accept any gift, favour, entertainment or other benefits the size of frequency of which exceeds normal business contacts from a constituent or a subordinate employee of ABL or from persons likely to have dealings with ABL and candidates for employment in ABL.
- Not accept any benefits from the estate of, or a trust created by a customer, or from an estate or trust of which ABL's Company or business units is an executor, administrator or trustee.

### Confidentiality

- Maintain the privacy and confidentiality of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities/law. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefits of any individual(s). Inside information about ABL's customers/affairs shall not be used for their own gain, or for that of others either directly or indirectly.

### Professionalism

- Serve ABL honestly and faithfully and shall strictly serve ABL's affairs and the affairs of its constituents. They shall use utmost endeavor to promote the interest and goodwill of ABL and shall show courtesy and attention in all transactions/correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, others establishments dealing with ABL, ABL's constituents and the public.

- Disclose and assign to ABL all interest in any invention, improvement, discovery or work of authorship that they may make or conceive and which may arise out of their employment with ABL. If their employment is terminated, all rights to property and information generated or obtained as part of their employment relationship will remain the exclusive property of ABL.
- Not engage in Money Laundering and will be extremely vigilant in protecting ABL from being misused by anyone to launder money by strictly complying with "Know Your Customer" policies and procedures.

### Business/Work Ethics

- Respect fellow colleagues and work as a team. They shall at all times be courteous and not let any personal differences affect their work. They will treat every customer of ABL with respect and courtesy.
- Ensure good attendance and punctuality and demonstrate a consistently good record in this area. For any absence during working hours, they shall obtain written permission of their immediate supervisor. They shall not absent themselves from their duties, nor leave their station over night, without having first obtained the permission of the competent authority.
- Maintain a standard of personal hygiene and dress appropriately for attendance at work. Their appearance must inspire confidence and convey a sense of professionalism.
- As personal responsibility, safeguard both the tangible and intangible assets of ABL and its customer(s) that are under their personal control and shall not use ABL assets for their personal benefits except where permitted by ABL. They shall not use any ABL facilities including a telephone to promote trade union activities, or carry weapons into ABL premises unless so authorized by the management, or carry on trade union activities during office hours, or subject ABL officials to physical harassment.



- Not indulge in any kind of harassment including sexual harassment or intimidation whether committed by or against any senior/junior, co-worker, customer, vendor or visitor. They shall not use language, written or spoken in intra-office communication(s) or communication(s) with individual(s) outside the office that may contain any statement or material that is offensive to others. They shall never use ABL's system to transmit or receive electronic image or text containing ethnic slurs, social epithets or any thing that might be construed as harassing, offensive or insulting to others.
- To meet their responsibilities to fellow employees, customers and investors they shall help in maintaining a healthy and productive work environment and shall not engage in the selling, manufacturing, distributing, using, any illegal substance or being under the influence of illegal drugs while on the job.
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by ABL.
- Not give any interview in the print/electronic media or have their photograph displayed or act in television / stage plays or in cinema without having permission from the competent authority.
- Intimate Human Resource Division of any changes in the personal circumstances relating to their employment or benefits.

Employees shall also not indulge in any of the following activities except with the prior permission of the competent authority:

- Borrow money from or in any way place themselves under pecuniary obligation to broker or moneylender or any employee of ABL or any firm or person having dealings with ABL.



- Buy or sell stock, share or securities of any description without funds to meet the full cost in the case of purchase or scrips for delivery in the case of sale. However, they can make a bona-fide investment of their own funds in such stock, shares and securities as they may wish to buy.
- Lend money in their private capacity to a constituent of ABL or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Guarantee in their private capacity the pecuniary obligation of another person or agree to indemnify in such capacity any person from loss.
- Act as agent for an insurance company otherwise than as agent for on behalf of ABL.
- Be connected with the formation or management of a joint stock company.
- Engage in any other commercial business or pursuit either on their own account or as agent for another or others.
- Accept or seek any outside employment or office whether stipendiary or honorary.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.

## Statement of Internal Controls



The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the Bank's internal control system that covers material matters by identifying control objective and reviewing significant policies and procedures.

The scope of Audit and Credit Risk Review Group (A&CRRG) function, independent from line management, has been designed with the underlying objective to review and assess the adequacy and effectiveness of the control activities across the bank as well as

implementation of and compliance with all the prescribed policies and procedures. All significant and material findings of the internal audit reviews are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementations to ensure that identified risks are mitigated to safeguard the interest of the Bank. In addition, Compliance and Control Group monitors control activities on a day to day basis.

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. All Internal Control Systems, no matter how well designed,

have inherent limitations that they may not entirely eliminate misstatements. Also, projections of evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

Recognizing it to be an ongoing process, the management has initiated an exercise, with the assistance of a reputable advisory firm, to adopt COSO Framework and Auditing Standard-5 to implement SBP guidelines on internal controls and ensure independent validation by the auditors on financial reporting controls. The bank has completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. Further stages of remediation plans and management testing, through a strong project management organization, are in process to ensure implementation of SBP guidelines and best international practices relating to Internal Control.

The Board of Directors being ultimately responsible for the internal control system endorses the management evaluation and efforts to adopt above mentioned internationally accepted standards in improving controls and processes to ensure better risk mitigation.

Mohammad Aftab Manzoor  
Chief Executive Officer

## Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust  
Building No. 2, Beaumont Road  
Karachi

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Allied Bank Limited (the Bank) to comply with Regulation G-1 of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2008.

KPMG Taseer Hadi & Co.  
Chartered Accountants

Karachi

Date: February 27, 2009

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

Karachi

Date: February 27, 2009



We are committed to our relationship oriented banking strategy for both consumers and business customers





Unconsolidated Financial Statements of  
**Allied Bank Limited**  
for the year ended December 31, 2008



We have audited the annexed unconsolidated balance sheet of Allied Bank Limited ("the Bank") as at December 31, 2008 and the related unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 22 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and

- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2007 were audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified opinion on those financial statements vide their report dated February 29, 2008.

KPMG Taseer Hadi & Co.  
Chartered Accountants

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

Date: February 27, 2009  
Place: Karachi

## Unconsolidated Balance Sheet as at December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	23,653,754	29,739,857
Balances with other banks	7	2,096,779	668,449
Lendings to financial institutions	8	15,793,183	18,419,241
Investments	9	82,631,118	83,958,463
Advances	10	212,972,008	168,407,280
Operating fixed assets	11	11,134,436	7,548,628
Deferred tax assets	12	1,029,223	662,431
Other assets	13	17,369,691	10,705,374
		366,680,192	320,109,723
<b>LIABILITIES</b>			
Bills payable	15	2,952,490	3,494,384
Borrowings	16	27,778,151	22,933,656
Deposits and other accounts	17	297,475,321	263,972,382
Sub-ordinated loans	18	2,498,000	2,499,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	13,620,616	7,332,059
		344,324,578	300,231,481
<b>NET ASSETS</b>		<b>22,355,614</b>	<b>19,878,242</b>
<b>REPRESENTED BY</b>			
Share capital	20	6,463,644	5,386,370
Reserves		5,804,776	6,050,713
Unappropriated profit		8,536,697	6,971,308
		20,805,117	18,408,391
Surplus on revaluation of assets - net of tax	21	1,550,497	1,469,851
		22,355,614	19,878,242
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.2.

Chief Financial Officer

President and Chief Executive

Director

Director

Director



**Unconsolidated Profit and Loss Account**  
for the year ended December 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
Mark-up/Return/Interest earned	24	30,570,540	21,201,422
Mark-up/Return/Interest expensed	25	16,559,806	10,093,010
Net Mark-up/Interest income		14,010,734	11,108,412
Provision against non-performing loans and advances - net	10.5.2	1,372,155	2,712,936
Provision for diminution in the value of investments - net	9.3	1,781,110	719
Bad debts written off directly	10.6.1	2,736	1,187
		3,156,001	2,714,842
Net Mark-up/Interest income after provisions		10,854,733	8,393,570
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income	26	2,291,459	2,062,677
Dividend income		1,420,364	147,184
Income from dealing in foreign currencies		230,060	194,879
Gain on sale of securities	27	151,068	1,439,387
Unrealized loss on revaluation of investments classified as held for trading - net	9.5	-	(1,463)
Other income	28	59,154	77,435
Total Non-markup/Interest income		4,152,105	3,920,099
		15,006,838	12,313,669
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	29	8,089,913	5,944,340
Provision against other assets - net	13.2	214,284	119,579
Provision against off-balance sheet obligations - net	19.1	190,824	39,805
Other charges	30	390,877	256,869
Total non-markup/Interest expenses		8,885,898	6,360,593
Extra-ordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		6,120,940	5,953,076
Taxation - Current	31	1,829,425	1,887,299
- Prior years	31	-	-
- Deferred	31	134,829	(10,381)
		1,964,254	1,876,918
<b>PROFIT AFTER TAXATION</b>		4,156,686	4,076,158
Unappropriated profit brought forward		6,971,308	5,607,796
Transfer from surplus on revaluation of fixed assets - net of tax		17,541	32,701
		6,988,849	5,640,497
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		11,145,535	9,716,655
<b>Basic earnings per share (in Rupees)</b>	32	6.43	6.31
<b>Diluted earnings per share (in Rupees)</b>	32	6.43	6.31

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.2.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

## Unconsolidated Cash Flow Statement for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		6,120,940	5,953,076
Less: Dividend income		(1,420,364)	(147,184)
		4,700,576	5,805,892
<b>Adjustments for non-cash charges</b>			
Depreciation/amortization		420,242	341,656
Provision against non-performing loans and advances (including general provision) - net		1,372,155	2,712,936
Provision for diminution in the value of investments - net		1,781,110	719
Unrealized loss on revaluation of held for trading securities		-	1,463
Provision against off balance sheet obligations - net		190,824	39,805
Provision against other assets - net		214,284	119,579
Operating fixed assets written off		20,711	-
Gain on sale of operating fixed assets		(9,889)	(14,297)
Bad debts written off directly		2,736	1,187
		3,992,173	3,203,048
		8,692,749	9,008,940
<b>(Increase)/decrease in operating assets</b>			
Lendings to financial institutions		2,626,058	630,998
Held for trading securities		32,397	203,250
Advances - net		(45,939,619)	(27,087,769)
Other assets (excluding advance taxation)		(5,114,895)	(292,887)
		(48,396,059)	(26,546,408)
<b>Increase/(decrease) in operating liabilities</b>			
Bills payable		(541,894)	1,216,377
Borrowings from financial institutions		4,767,184	4,845,011
Deposits		33,502,939	57,941,058
Other liabilities		6,074,203	2,145,627
		43,802,432	66,148,073
		4,099,122	48,610,605
Income tax paid		(3,535,489)	(2,260,777)
<b>Net cash flows from operating activities</b>		563,633	46,349,828
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		1,347,298	(39,525,522)
Net investments in held-to-maturity securities		(3,749,608)	2,782,945
Net investments in subsidiaries		-	(437,512)
Dividend income		1,362,722	149,956
Investments in operating fixed assets		(2,659,638)	(1,493,897)
Proceeds from sale of operating fixed assets		155,480	63,021
<b>Net cash flows used in investing activities</b>		(3,543,746)	(38,461,009)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of sub-ordinated loan		(1,000)	(1,000)
Dividends paid		(1,753,971)	(1,902,755)
<b>Net cash flows used in financing activities</b>		(1,754,971)	(1,903,755)
<b>Increase in cash and cash equivalents</b>		(4,735,084)	5,985,064
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		29,842,093	24,302,648
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		510,618	64,999
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	33	25,617,627	30,352,711

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

# Unconsolidated Statement of Changes in Equity for the year ended December 31, 2008

	Share Capital	Share Premium	Statutory Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000							
Balance as at January 1, 2007	4,488,642	4,316,324	1,409,026	67,995	333,864	6,000	5,607,796	16,229,647
<b>Changes in equity during the year ended December 31, 2007</b>								
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	-	4,076,158	4,076,158
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	32,701	32,701
Net income recognised directly in equity	-	-	-	-	-	-	32,701	32,701
Total recognised income for the year ended December 31, 2007	-	-	-	-	-	-	4,108,859	4,108,859
Transfer to statutory reserve	-	-	815,232	-	-	-	(815,232)	-
Bonus issue for the year ended December 31, 2006 declared subsequent to year end @ 20%	897,728	(897,728)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end (Rs. 2.5 per Ordinary share)	-	-	-	-	-	-	(1,122,160)	(1,122,160)
Interim cash dividend for the year ended December 31, 2007 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(807,955)	(807,955)
Balance as at December 31, 2007	5,386,370	3,418,596	2,224,258	67,995	333,864	6,000	6,971,308	18,408,391
<b>Changes in equity during the year ended December 31, 2008</b>								
Profit after taxation for the year ended December 31, 2008	-	-	-	-	-	-	4,156,686	4,156,686
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	17,541	17,541
Net income recognised directly in equity	-	-	-	-	-	-	17,541	17,541
Total recognised income for the year ended December 31, 2008	-	-	-	-	-	-	4,174,227	4,174,227
Transfer to statutory reserve	-	-	831,337	-	-	-	(831,337)	-
Bonus issue for the year ended December 31, 2007 declared subsequent to year end @ 20%	1,077,274	(1,077,274)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(807,955)	(807,955)
Interim cash dividend for the year ended December 31, 2008 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(969,546)	(969,546)
Balance as at December 31, 2008	6,463,644	2,341,322	3,055,595	67,995	333,864	6,000	8,536,697	20,805,117

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited.

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 1. STATUS AND NATURE OF BUSINESS

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 766 (2007: 757) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

### 2. (a) BASIS OF PRESENTATION

- These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary company are being issued separately.
- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- For the purpose of translation of US Dollar, the rates of Rs. 79.08 per US Dollar have been used for December 31, 2008.
- The unconsolidated financial statements are presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.

### (b) BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts/ fair values as disclosed in their respective notes.

### 3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.

3.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

3.3 The following new / revised standards, amendments and interpretations of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard of amendment.

	<b>Effective date (accounting periods beginning on or after)</b>
(i) IAS-1 (Revised) Presentation of Financial Statements *	January 01, 2009
(ii) IAS-23 (Revised) Borrowing Costs	January 01, 2009
(iii) IAS-27 - Consolidated and Separate Financial Statements	January 01, 2009
(iv) IAS-41 - Agriculture	January 01, 2009
(v) IFRS-3 - Business Combinations (Revised)	July 01, 2009
(vi) IFRS-8 - Operating Segments	January 01, 2009
(vii) IFRIC-13 - Customer Loyalty Programs	July 01, 2008
(viii) IFRIC-15 - Agreements for the Construction of Real Estate	January 01, 2009
(ix) IFRIC-16 - Hedges of Net Investment in a Foreign Operation	July 01, 2009
(x) IFRIC-17 - Distributions of Non Cash Assets to Owners	July 01, 2009
(xi) IFRIC-18 - Transfers of Assets from Customers	July 01, 2009

\* Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected once enforced by regulators.

The above standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after January 1, 2009 are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain increased disclosures in certain cases.



#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that effect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 5.3)
- (b) valuation of derivatives (Note 5.15.2)
- (c) impairment (Note 5.11)
- (d) recognition of taxation and deferred tax (Note 5.6)
- (e) provisions (Note 5.3, 5.4, 5.12 and 9.3.2)
- (f) accounting for post employment benefits (Note 5.7 and 35); and
- (g) calculation of depreciation, amortization and revaluation of operating fixed assets (Note 5.5)

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2007 and are enumerated as follows:

##### 5.1 Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

##### 5.2 Lendings to/borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

###### (a) Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as interest expense.

###### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the contract and recorded as interest income.

Other borrowings including borrowing from SBP are recorded at the proceeds received. Markup on such borrowing is charged to the profit and loss account on a time proportion basis.

##### 5.3 Investments

The Bank at the time of purchase classifies its investment portfolio into the following categories, which are initially recognized at cost, being the fair value of the consideration given including the acquisition cost except the held for trading investments.

###### (a) Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

###### (b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

###### (c) Available for sale

These are investments other than those in subsidiaries, that do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity and investments in subsidiaries, are carried at market value. Investments classified as held to maturity are required to be carried at amortized cost whereas investments in subsidiaries are carried at cost less impairment losses, if any.

The unrealized surplus/(deficit) arising on revaluation of the Bank's held for trading investment portfolio is taken to the profit and loss account.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

The surplus/(deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus/(deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited/charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

Associates as defined under local statutes but not under IAS are accounted for as ordinary investments.

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 5.4 Advances (including net investment in finance lease)

Advances are stated net of general and specific provisions. Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. General provision is maintained on consumer portfolio in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account.

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

Advances are written off when there are no realistic prospects of recovery.

### 5.5 Operating fixed assets and depreciation

#### Tangible assets

Property and equipment owned by the Bank, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 11.2. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

#### Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.3. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

## 5.6 Taxation

### Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments finalised during the year for such years.

### Deferred

Deferred tax is recognized on all major temporary differences, tax credits and unused tax losses at the balance sheet date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The Bank also recognizes a deferred tax asset/liability on deficit/surplus on revaluation of fixed assets and securities which is adjusted against the related deficit/surplus in accordance with the requirements of IAS-12 "Income Taxes".

## 5.7 Staff retirement and other benefits

### 5.7.1 Staff retirement schemes

#### a) For employees who opted for the new scheme introduced by the management:

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary service and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed 10 years of service as on June 30, 2002; and

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

A Contributory Provident Fund scheme with the Bank making equal contribution to that made by employees (defined contribution scheme).

#### b) For employees who did not opt for the new scheme, the Bank continues to operate the following:

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of service as on June 30, 2002; and

A contributory benevolent fund for all its employees (defined benefit scheme).

#### c) Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses arising from experience adjustments and changes in actuarial assumptions are amortized over the future expected remaining working lives of the employees, to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date (before deducting plan assets) and ten percent of the fair value of any plan assets at that date.

### 5.7.2 Other benefits

#### a) Employees' compensated absences

The Bank provides for its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses are amortized over the future expected average remaining lives of the employees, to the extent of ten percent of the present value of the defined benefit obligations at that date.

## 5.8 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 5.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Markup accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

### 5.10 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Markup accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

### 5.11 Impairment

At each balance sheet date, the Bank reviews the carrying amount of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except to the impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

### 5.12 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

### 5.13 Dividend distributed or appropriated

Stock, cash dividend and other appropriations (except the appropriations which are required by law) declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in unconsolidated financial statements of the current year. These are recognized in the period in which these are declared.

### 5.14 Foreign currencies

#### a) Foreign currency transactions

Transactions in foreign currencies (other than the results of operations of foreign operations discussed in note 5.14.b) are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

#### b) Foreign operation

The assets and liabilities of a foreign branch are translated to rupees at exchange rates prevailing at the balance sheet date.

The results of operations of foreign branch are translated to rupees at the average rate of exchange for the year.

#### c) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

#### d) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

### 5.15 Financial instruments

#### 5.15.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, sub-ordinated loan and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### 5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

**5.16 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**5.17 Revenue recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

**a) Advances and investments**

Markup/return on regular loans/advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or markup recoverable on classified loans and advances and investments is recognized on receipt basis. Interest/return/mark-up on rescheduled/restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

**b) Lease financing**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains/losses on termination of lease contracts and other lease income are recognized when realized.

**c) Fees, brokerage and commission**

Fees, brokerage and commission on letters of credit/guarantee are recognized on an accrual basis. Account maintenance and service charges are recognized when realized.

**5.18 Segment reporting**

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional structure and the guidance of State Bank of Pakistan. The Bank comprises of the following main business segments:

**5.18.1 Business segments**

**a) Corporate finance**

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

**b) Trading and sales**

This segment undertakes the Bank's treasury, money market and capital market activities.

**c) Retail banking**

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

**d) Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

**e) Payment and settlement**

This includes payments and collections, funds transfer, clearing and settlement with the customers.

**5.18.2 Geographical segments**

The Bank conducts all its operations, including the operations of EPZ Karachi branch, in Pakistan.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		5,230,889	5,532,495
Foreign currencies		530,383	347,435
<b>Remittances in transit</b>		761,989	692,499
<b>With State Bank of Pakistan (SBP) in</b>	6.1		
Local currency current accounts		10,432,813	19,151,260
Foreign currency current account	6.2	1,792	3,055
Foreign currency deposit accounts			
- Non remunerative		851,495	620,930
- Remunerative	6.3	2,554,486	620,930
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		3,251,073	2,726,301
<b>National Prize Bonds</b>		38,834	44,952
		<u>23,653,754</u>	<u>29,739,857</u>

6.1 Deposits with the SBP are maintained to comply with the statutory requirements issued from time to time.

6.2 This represents US Dollar Settlement Account maintained with SBP.

6.3 This represents special cash reserve maintained with the SBP. The special cash reserve carries mark-up at the rate of 0.90% (2007: 3.71% and 4.72%) per annum.

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		284	284
<b>Outside Pakistan</b>			
On current accounts	7.1	2,096,495	668,165
		<u>2,096,779</u>	<u>668,449</u>

7.1 Included in nostro accounts are balances, aggregating to Rs. 372.416 million (2007: Rs. 86.82 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	100,000	1,500,000
Letters of placement	8.2	736,000	1,850,000
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.5	14,957,183	12,924,241
Certificates of investment		-	2,145,000
		<u>15,793,183</u>	<u>18,419,241</u>

8.1 This is an unsecured lending to Financial Institution, carrying mark-up at the rate of 15.40% (2007: 10.00% to 12.00%) per annum and will mature on January 02, 2009.

8.2 These are clean placements with Non-Banking Finance Companies, carrying mark-up at rates, ranging between 18.90% and 20.00% (2007: 9.75% and 10.30%) per annum and will mature on various dates, latest by February 02, 2009.

8.3 These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging between 10.00 % and 14.90 % (2007: 9.10% and 9.40%) per annum and will mature on various dates, latest by January 31, 2009.

	December 31, 2008	December 31, 2007
	Rupees in '000	
<b>8.4 Particulars of lending</b>		
In local currency	15,793,183	18,419,241
In foreign currencies	-	-
	15,793,183	18,419,241

**8.5 Securities held as collateral against lending to financial institutions**

	December 31, 2008			December 31, 2007		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	14,957,183	-	14,957,183	12,924,241	-	12,924,241

**9. INVESTMENTS**

	December 31, 2008			December 31, 2007		
Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
<b>9.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Ordinary shares of listed companies	-	-	-	33,860	-	33,860
<b>Available-for-sale securities</b>						
Market Treasury Bills	26,512,476	8,197,541	34,710,017	24,936,479	12,543,383	37,479,862
Pakistan Investment Bonds	445,580	-	445,580	444,758	-	444,758
Ordinary shares/certificates of listed companies	6,672,140	-	6,672,140	1,601,605	-	1,601,605
Preference shares of listed companies	250,000	-	250,000	275,000	-	275,000
Units of open end mutual funds	12,761,149	-	12,761,149	19,606,845	-	19,606,845
Ordinary shares of unlisted companies	544,822	-	544,822	82,099	-	82,099
Ordinary shares of unlisted companies - (related parties)	447,853	-	447,853	451,219	-	451,219
Pre IPO investments	35,000	-	35,000	2,514,900	-	2,514,900
Privately placed investments	-	-	-	1,890,918	-	1,890,918
Sukuk Bonds	2,686,250	-	2,686,250	2,420,000	-	2,420,000
Term finance certificates (TFCs)	7,603,733	-	7,603,733	736,636	-	736,636
	57,959,003	8,197,541	66,156,544	54,960,459	12,543,383	67,503,842
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	9,084,116	-	9,084,116	11,108,762	-	11,108,762
Foreign Currency Bonds (US\$)	137,767	-	137,767	160,010	-	160,010
TFCs, Debentures, Bonds and Participation Term Certificates (PTCs)	10,682,356	-	10,682,356	4,903,356	-	4,903,356
	19,904,239	-	19,904,239	16,172,128	-	16,172,128
<b>Subsidiary</b>						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
<b>Investment at cost</b>	78,363,242	8,197,541	86,560,783	71,666,447	12,543,383	84,209,830
<b>Less: Provision for diminution in value of investments</b>	9.3 (1,955,903)	-	(1,955,903)	(192,290)	-	(192,290)
<b>Investments (Net of Provisions)</b>	76,407,339	8,197,541	84,604,880	71,474,157	12,543,383	84,017,540
Unrealized loss on revaluation of Held-for-trading securities	9.5 -	-	-	(1,463)	-	(1,463)
(Deficit) / surplus on revaluation of Available-for-sale securities	9.3.2 & 21.2 (1,973,799)	37	(1,973,762)	(40,628)	(16,986)	(57,614)
	74,433,540	8,197,578	82,631,118	71,432,066	12,526,397	83,958,463



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>9.2. INVESTMENTS BY SEGMENTS:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	9.2.1& 9.2.2	34,710,017	37,479,862
- Pakistan Investment Bonds		9,529,696	11,553,520
- Foreign Currency Bonds (US\$)		137,767	160,010
- Ijara Sukuk Bonds		100,000	-
<b>Fully Paid up Ordinary Shares:</b>			
- Listed Companies		6,672,140	1,635,465
- Unlisted Companies		992,675	533,318
<b>Units of Open End Mutual Funds</b>		12,761,149	19,606,845
<b>Fully paid up Preference Shares</b>	9.2.3	250,000	275,000
<b>Pre IPO Investments</b>		35,000	2,514,900
<b>Privately placed Investments</b>		-	1,890,918
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Term Finance Certificates			
-Listed		2,192,350	1,013,140
-Unlisted		12,029,344	1,744,476
Debentures		63,479	65,184
Bonds - Government guaranteed		410,280	410,280
- Others(Sukuk)		6,171,250	4,820,000
Participation Term Certificates		5,636	6,912
<b>Subsidiary</b>		500,000	500,000
<b>Total investments at cost</b>		86,560,783	84,209,830
Less: Provision for diminution in the value of investment	9.3	(1,955,903)	(192,290)
<b>Investments (Net of Provisions)</b>		84,604,880	84,017,540
Unrealized loss on revaluation of Held-for-trading securities	9.5	-	(1,463)
Deficit on revaluation of Available-for-sale securities	9.3.2 & 21.2	(1,973,762)	(57,614)
		82,631,118	83,958,463

**9.2.1** Included herein are Market Treasury Bills having a book value of Rs. 7,866.140 million (2007: Rs.12,231.580 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.2** Included herein are Market Treasury Bills having a face value of Rs.339.800 million (2007: Rs. 339.800 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

**9.2.3** These represent 17,500,000 (2007: 20,000,000) KIBOR plus 2% Cumulative Preference Shares of Masood Textile Mills Limited, with Call Option available to the issuer and Conversion Option available to the Bank, after completion of four years from the date of issue, i.e., June 29, 2005 and 7,500,000 (2007: 7,500,000) KIBOR plus 2.5% Cumulative Preference Shares of Fazal Cloth Mills Limited having redemption term within 60 days after completion of 5 years from the date of issue, i.e., May 13, 2006.

**9.2.4** Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the financial statements under SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "F".

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>9.3. Particulars of Provision</b>			
Opening balance		192,290	203,038
Charge for the year	9.3.2	1,783,279	9,130
Reversals		(2,169)	(8,411)
Net charge		1,781,110	719
Amounts written off		(17,497)	(11,467)
Closing balance	9.3.1	1,955,903	192,290

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>9.3.1 Particulars of Provision in respect of Type and Segment</b>			
<b>By Type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares/certificates of listed companies	9.3.2	1,746,173	59,543
Ordinary shares of unlisted companies		48,017	13,873
		1,794,190	73,416
<b>Held-to-maturity securities</b>			
TFCs, Debentures, Bonds and PTCs		161,713	118,874
		1,955,903	192,290
<b>By Segment</b>			
<b>Fully Paid up Ordinary Shares/Certificates:</b>			
- Listed companies		1,746,173	59,543
- Unlisted companies		48,017	13,873
		1,794,190	73,416
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Bonds		50,000	-
Term Finance Certificates		42,598	46,778
Debentures		63,479	65,184
Participation Term Certificates		5,636	6,912
		161,713	118,874
		1,955,903	192,290

**9.3.2** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'Available for Sale' to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at December 31, 2008 has been determined at Rs. 3,545.891 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Since full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Bank, therefore the management on the basis of their estimates and prudence has made a provision of Rs. 1,686.635 million against the above amount.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	December 31, 2008
Rupees in '000	
Increase in 'Impairment Loss' in Profit and Loss Account	1,859,256
Decrease in tax charge for the year	650,740
Decrease in profit for the year - after tax	1,208,516
	<b>Rupees</b>
Decrease in earnings per share -after tax (basic and diluted)	1.87
	<b>Rupees '000</b>
Decrease in deficit on revaluation of available for sale securities	1,859,256
Decrease in unappropriated profit	1,208,516

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 9.4 Quality of Available for Sale Securities

Information relating to quality of available for sale securities required to be disclosed as part of the financial statements under SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "I".

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>9.5. Unrealized loss on revaluation of investments classified as held for trading</b>			
Ordinary shares of listed companies		-	(1,463)
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		215,733,161	170,743,654
Net investment in finance lease - in Pakistan	10.2	768,173	741,148
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,738,019	1,455,922
Payable outside Pakistan		5,400,424	3,256,536
		7,138,443	4,712,458
Financing in respect of continuous funding system (CFS)	10.3	223,639,777	176,197,260
		-	2,327,097
Advances - gross		223,639,777	178,524,357
Provision for non-performing advances	10.5.1	(10,657,709)	(10,103,954)
General provision for consumer financing	10.5.2	(10,060)	(13,123)
Advances - net of provision		212,972,008	168,407,280
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		222,088,283	173,222,434
In foreign currencies		1,551,494	5,301,923
		223,639,777	178,524,357
<b>10.1.2</b> Short term (for upto one year)		158,648,132	122,134,447
Long term (for over one year)		64,991,645	56,389,910
		223,639,777	178,524,357

### 10.2 Net investment in finance lease

	December 31, 2008				December 31, 2007			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								
Lease rentals receivable	339,039	435,861	-	774,900	332,529	374,697	-	707,226
Residual value	34,938	110,452	-	145,390	33,341	108,030	-	141,371
Minimum lease payments	373,977	546,313	-	920,290	365,870	482,727	-	848,597
Financial charges for future periods	(67,925)	(84,192)	-	(152,117)	(63,243)	(44,206)	-	(107,449)
Present value of minimum lease payments	306,052	462,121	-	768,173	302,627	438,521	-	741,148

**10.3** This represents secured financing in respect of purchase of shares from the CFS market. CFS financing is Nil as at December 31, 2008.

- 10.4 Advances include Rs. 13,771.895 million (2007: Rs. 11,354.923 million) which have been placed under non-performing status as detailed below:-

Category of Classification	December 31, 2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially Mentioned *	40,689	-	40,689	-	-	-	-	-	-
Substandard	3,805,228	-	3,805,228	950,134	-	950,134	950,134	-	950,134
Doubtful	722,223	-	722,223	361,111	-	361,111	361,111	-	361,111
Loss	9,203,755	-	9,203,755	9,201,191	-	9,201,191	9,201,191	-	9,201,191
	13,771,895	-	13,771,895	10,512,436	-	10,512,436	10,512,436	-	10,512,436

Category of Classification	December 31, 2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially Mentioned *	32,765	-	32,765	-	-	-	-	-	-
Substandard	1,311,832	-	1,311,832	327,091	-	327,091	327,091	-	327,091
Doubtful	532,967	-	532,967	265,960	-	265,960	265,960	-	265,960
Loss	9,477,359	-	9,477,359	9,365,630	-	9,365,630	9,365,630	-	9,365,630
	11,354,923	-	11,354,923	9,958,681	-	9,958,681	9,958,681	-	9,958,681

\* This represents non-performing portfolio of agricultural financing classified as Other Assets Especially Mentioned as per the requirements of the Prudential Regulation for Agricultural Financing issued by SBP.

#### 10.5 Particulars of provision against non-performing advances

- 10.5.1 This represents provision against non-performing advances amounting to Rs. 10,512.436 million and a provision of Rs. 145.273 million made against Japan Power Generation Limited without changing its status to non-performing as per SBP Directive No. BID (Insp)/722/71-02-2007 dated March 14, 2007.

#### 10.5.2

	Note	December 31, 2008			December 31, 2007		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		9,958,681	13,123	9,971,804	7,657,737	14,047	7,671,784
Charge for the year		2,246,227	-	2,246,227	3,277,330	-	3,277,330
Reversals		(871,009)	(3,063)	(874,072)	(708,743)	(924)	(709,667)
Charged to profit and loss account		1,375,218	(3,063)	1,372,155	2,568,587	(924)	2,567,663
Amounts written off	10.6.1	(821,463)	-	(821,463)	(267,643)	-	(267,643)
Closing balance		10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804

#### 10.5.3 Particulars of provisions against non-performing advances

	December 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804
In foreign currencies	-	-	-	-	-	-
	10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>10.6</b>	<b>Particulars of write offs</b>		
<b>10.6.1</b>	Against provisions	821,463	267,643
	Directly charged to Profit and Loss account	2,736	1,187
		824,199	268,830
<b>10.6.2</b>	Write Offs of Rs. 500,000 and above	764,958	193,851
	Write Offs of Below Rs 500,000	59,241	74,979
		824,199	268,830

### 10.7 Details of loan write off of rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2008 is given in Annexure "II". However, this write off does not affect the Bank's right to recover debts from these customers.

		December 31, 2008	December 31, 2007
Rupees in '000			
<b>10.8</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	4,237,006	4,200,854
	Loans granted during the year	1,012,361	791,123
	Repayments	(319,896)	(754,971)
	Balance at end of the year	4,929,471	4,237,006

Details of loans and advances to associates, subsidiary and other related parties are given in note 40.

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>11.</b>	<b>OPERATING FIXED ASSETS</b>		
	Capital work-in-progress	1,544,443	831,962
	Property and equipment	9,483,087	6,678,658
	Intangible assets	106,906	38,008
		11,134,436	7,548,628
<b>11.1</b>	<b>Capital work-in-progress</b>		
	Civil works	975,109	464,465
	Equipment	213,490	81,610
	Advances to suppliers and contractors	355,844	285,887
		1,544,443	831,962

11.2 Property and equipment

Depreciation	Note	Cost/Revaluation			Accumulated Depreciation									
		At January 1, 2008	Additions/ (deletions)	Revaluation Surplus	Write-off	At December 31, 2008	At January 1, 2008	Charge for the year/ adjustment/ (depreciation on deletion)	Revaluation Surplus	Write-off	At December 31, 2008	Net book value at December 31, 2008	Annual rate of depreciation %	
Rupees in ' 000														
Land-Freehold	11.4	3,128,041	567,671	580,263	-	4,275,975	-	-	-	-	4,275,975	-	-	
Land-Leasehold	11.4	910,161	64,729	449,508	-	1,424,398	-	-	-	-	1,424,398	-	-	
Buildings-Freehold	11.4	626,545	197,097	-	-	823,642	74,143	31,652	(56,712)	-	49,083	774,559	5	
Buildings-Leasehold	11.4	1,184,099	207,036	234,835	-	1,625,970	139,889	51,506	(191,395)	-	-	1,625,970	5	
Furniture and fixtures		386,792	36,678	-	(93,757)	279,013	287,506	20,340	(45,720)	-	(85,947)	176,179	102,834	10
Electrical, office and computer equipment		1,500,487	618,733	-	(90,497)	1,920,561	849,179	240,531	(98,524)	-	(90,466)	900,720	1,019,841	14.28 - 50
Vehicles		347,539	103,875	-	(13,310)	234,246	137,226	40,219	(73,992)	-	(10,580)	92,873	141,373	20
Building improvements (rented premises)		111,070	70,270	-	(24,705)	153,915	28,133	23,824	(1,614)	-	(14,565)	35,778	118,137	20
Total		8,194,734	1,866,089	1,264,606	(222,269)	10,737,720	1,516,076	408,072	(248,107)	(201,558)	1,254,633	9,483,087		
			(365,440)					(219,850)						

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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Depreciation	Cost/Revaluation				Accumulated Depreciation				Annual rate of depreciation %			
	At January 1, 2007	Additions/ (deletions)	Revaluation Surplus	Write-off	At December 31, 2007	At January 1, 2007	Charge for the year/ adjustment/ (depreciation on deletion)	Revaluation Surplus		Write-off	At December 31, 2007	Net book value at December 31, 2007
	Rupees in ' 000											
Land-Freehold	2,801,396	341,098 (14,453)	-	-	3,128,041	-	-	-	-	-	3,128,041	-
Land-Leasehold	902,771	7,390	-	-	910,161	-	-	-	-	-	910,161	-
Buildings-Freehold	585,004	41,541	-	-	626,545	42,105	32,038	-	-	74,143	552,402	5
Buildings-Leasehold	953,378	230,721	-	-	1,184,099	94,488	45,401	-	-	139,889	1,044,210	5
Furniture and fixtures	361,256	36,533 (10,997)	-	-	386,792	275,286	20,824 (8,604)	-	-	287,506	99,286	10
Electrical, office and computer equipment	1,149,681	367,850 (17,044)	-	-	1,500,487	703,797	162,299 (16,917)	-	-	849,179	651,308	14.28 - 50
Vehicles	348,509	76,854 (77,824)	-	-	347,539	125,708	57,591 (46,073)	-	-	137,226	210,313	20
Building improvements (rented premises)	52,095	58,975	-	-	111,070	13,320	14,813	-	-	28,133	82,937	20
Total	7,154,090	1,160,962 (120,318)	-	-	8,194,734	1,254,704	332,966 (71,594)	-	-	1,516,076	6,678,658	

### 11.3 Intangible assets

Description	Cost		Accumulated Amortization		Rate of amortization %
	At January 1, 2008	At December 31, 2008	At January 1, 2008 (amortization on deletions)	At December 31, 2008	
Computer software	73,640	81,068	12,170	47,802	14.28
	(Rupees in ' 000)				
	73,640	154,708	35,632	106,906	14.28
Description	Cost		Accumulated Amortization		Rate of amortization %
	At January 1, 2007	At December 31, 2007	At January 1, 2007 (amortization on deletions)	At December 31, 2007	
Computer software	56,890	17,020 (270)	8,690 (270)	35,632	14.28
	(Rupees in ' 000)				
	56,890	73,640	27,212	38,008	14.28

- 11.4 As at December 31, 2008, the Bank arranged for valuation of properties from five independent valuers (Akbani & Javed Associates, Progressive Architects & Engineers, Jasper & Jasper, Hasib Associates (Pvt.) Ltd. and Consultancy Support & Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 1,512.713 million, as at December 31, 2008. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2008	December 31, 2007
	Rupees in '000	
- Land	3,515,042	1,647,571
- Building	1,332,304	477,795

For information regarding location of revalued properties, refer Annexure III.

- 11.5 Fair value of property and equipment including land and buildings is not materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2008 and are carried at market value.

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
11.6 Effect in the current year on profit and loss account of surplus arising on revaluation of buildings carried out in the year 2005	21.1	26,987	28,408
11.7 Restriction/discrepancy in the title of property having a net book value of		71,975	26,311
11.8 Carrying amount of temporarily idle property and equipment		24,438	46,978
11.9 The gross carrying amount of fully depreciated/amortized assets that are still in use			
Furniture and fixtures		92,172	153,850
Electrical, office and computer equipment		406,480	556,370
Vehicles		12,989	36,799
Intangible assets - software		17,752	4,668
11.10 The carrying amount of property and equipment that have retired from active use and are held for disposal		-	134
11.11 Fixed assets include a plot at carrying value of Rs. 31 million, which is acquired with the funds of the Bank and held in the name of Mohammad Waseem Mukhtar, a Director of the Bank.			
11.12 The details of disposals of assets whose original cost or book value exceeds rupees one million or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "III".			
11.13 Information relating to sale of fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "III".			



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>12. DEFERRED TAX ASSETS - NET</b>			
<b>Deferred debits arising in respect of</b>			
Compensated leave absences		244,254	306,312
Provision against:			
Investments		82,293	67,302
Other assets		310,498	246,236
Off balance sheet obligations		169,525	102,736
Post retirement medical benefits		351,653	411,520
Deficit on revaluation of investments	21.2	690,817	20,165
		1,849,040	1,154,271
<b>Deferred credits arising due to</b>			
Surplus on revaluation of fixed assets	21.1	(348,590)	(189,006)
Accelerated tax depreciation / amortization		(423,791)	(219,275)
Excess of investment in finance lease over written down value of leased assets		(47,436)	(83,559)
		(819,817)	(491,840)
		1,029,223	662,431

### 12.1 Reconciliation of deferred tax

	Balance as at January 01, 2007	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2007	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2008
<b>Deferred debits arising in respect of</b>							
Compensated leave absences	323,887	(17,575)	-	306,312	(62,058)	-	244,254
Provision against:							
Investments	48,209	19,093	-	67,302	14,991	-	82,293
Other assets	208,276	37,960	-	246,236	64,262	-	310,498
Off balance sheet obligations	88,804	13,932	-	102,736	66,789	-	169,525
Post retirement medical benefits	368,539	42,981	-	411,520	(59,867)	-	351,653
Deficit on revaluation of investments	6,284	-	13,881	20,165	-	670,652	690,817
	1,043,999	96,391	13,881	1,154,271	24,117	670,652	1,849,040
<b>Deferred credits arising due to</b>							
Surplus on revaluation of fixed assets	(198,948)	9,942	-	(189,006)	9,446	(169,030)	(348,590)
Accelerated tax depreciation/amortization	(109,239)	(110,036)	-	(219,275)	(204,516)	-	(423,791)
Excess of investment in finance lease over written down value of leased assets	(97,643)	14,084	-	(83,559)	36,123	-	(47,436)
	(405,830)	(86,010)	-	(491,840)	(158,947)	(169,030)	(819,817)
	638,169	10,381	13,881	662,431	(134,830)	501,622	1,029,223

**12.2** Through Finance Act 2007, a new section 100A read with the 7th Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008).

The 7th Schedule does not contain transitory provisions to deal with the disallowances made upto the year ended December 31, 2007. This issue has been taken up with the tax authorities through Pakistan Bankers Association for formulation of transitory provisions to deal with the items which were previously treated differently under the then applicable provisions.

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007 is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income/Mark-up accrued on advances, investments and lendings to financial institutions:			
- in local currency		8,139,139	4,011,197
- in foreign currencies		47,459	88,620
Advances, deposits, advance rent and other prepayments		1,413,853	717,618
Advance taxation (payments less provisions)		6,214,911	4,508,847
Stationery and stamps on hand		36,857	48,038
Prepaid exchange risk fee		-	24
Due from the employees' retirement benefit schemes	35.4	1,500,476	1,278,200
Unrealized gain on forward foreign exchange contracts		-	53,995
Excise duty		11	11
Receivable from SBP - customers encashments		214,858	58,497
Non banking assets acquired in satisfaction of claims	13.1	83,342	-
Suspense account		512,096	622,568
Others		93,827	21,289
		18,256,829	11,408,904
Less: Provision held against other assets	13.2	(887,138)	(703,530)
Other assets (net of provision)		17,369,691	10,705,374
<b>13.1</b>		96,523	-
Market value of non banking assets acquired in satisfaction of claims			
<b>13.2</b>			
<b>Provision against other assets</b>			
Opening balance		703,530	595,075
Charge for the year		214,284	458,206
Reversals		-	(338,627)
Net charge		214,284	119,579
Written off		(30,676)	(11,124)
Closing balance		887,138	703,530
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2008 and December 31, 2007.			
<b>15. BILLS PAYABLE</b>			
In Pakistan		2,948,435	3,490,329
Outside Pakistan		4,055	4,055
		2,952,490	3,494,384
<b>16. BORROWINGS</b>			
In Pakistan		27,645,245	22,878,061
Outside Pakistan		132,906	55,595
		27,778,151	22,933,656
<b>16.1 Particulars of borrowings with respect to Currencies</b>			
In local currency		27,645,245	22,878,061
In foreign currencies		132,906	55,595
		27,778,151	22,933,656

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>16.2</b>	<b>Details of borrowings (Secured/Unsecured)</b>		
	<i>Secured</i>		
	Borrowings from financial institutions	-	15,000
	Borrowings from State Bank of Pakistan		
	Under export refinance scheme	7,446,616	4,509,834
	LTF - EOP	3,800,535	4,021,644
		11,247,151	8,531,478
	Repurchase agreement borrowings	7,798,094	12,231,583
	<i>Unsecured</i>		
	Call borrowings	8,600,000	2,100,000
	Overdrawn nostro accounts	132,906	55,595
		8,732,906	2,155,595
		27,778,151	22,933,656

**16.3** The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. These carry interest at the rate of 7.5% (2007: 6.5%) per annum. These borrowings are repayable within six months from the deal date.

**16.4** This represents Long Term Financing against Export Oriented Projects (LTF-EOP) availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 7.5 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 7% (2007: ranging between 4% and 5%) per annum.

**16.5** These represent funds borrowed from the local interbank market against government securities, carrying mark-up at rates, ranging between 9% and 14% (2007: 9.35% and 10.00%) per annum maturing on various dates, latest by January 13, 2009.

**16.6** These represent unsecured borrowings from the local interbank market, carrying mark-up at rates, ranging between 13.5% and 16.5% (2007: 9.30% and 10.25%) per annum maturing on various dates, latest by April 01, 2009.

	December 31, 2008	December 31, 2007
Rupees in '000		
<b>17.</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>	
	<b>Customers</b>	
	Fixed deposits	105,939,618
	Savings deposits	72,448,664
	Current accounts - Remunerative	37,830,504
	- Non-remunerative	77,755,031
		293,973,817
	<b>Financial Institutions</b>	
	Remunerative deposits	3,501,504
		297,475,321
<b>17.1</b>	<b>Particulars of deposits</b>	
	In local currency	278,187,770
	In foreign currencies	19,287,551
		297,475,321

	December 31, 2008	December 31, 2007
	Rupees in '000	
<b>18. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - Unsecured	2,498,000	2,499,000

The Bank has issued unsecured sub-ordinated Term Finance Certificates, which will contribute towards Tier II capital for minimum capital requirements (MCR) as per guidelines set by the SBP, under BSD Circular No. 12, dated August 24, 2004, to support the Bank's growth. All the regulatory approvals were obtained in December 2006. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The rate of return is based on the Karachi Interbank Offer Rate (KIBOR) prevailing on the last working day before the beginning of each semi annual redemption period plus 1.9% (no floor, no cap). 0.24% of the principal shall be redeemed in the first 72 months and the remaining principal shall be redeemed in 4 equal semi-annual installments of 24.94% each of the Issue amount respectively, starting from the 78th month.

Other salient features of the issue are as follows:

Total issue :	Rs. 2,500 million
Rating :	A
Listing :	Karachi Stock Exchange (Guarantee) Ltd.
Repayment :	8 Years (2007 – 2014)
Profit payment :	Semi annually in arrears (365 day basis)

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
<b>19. OTHER LIABILITIES</b>			
Mark-up/Return/Interest payable in local currency		3,670,058	1,226,480
Mark-up/Return/Interest payable in foreign currency		14,180	12,323
Accrued expenses		433,596	366,323
Branch adjustment account		1,393,662	1,807,988
Payable on account of purchase of investments		431,150	251,174
Unrealized loss on forward foreign exchange contracts		179,800	-
Provision for:			
gratuity	35.4	90,845	90,845
employees' medical benefits	35.4	1,277,755	1,175,772
employees' compensated absences	35.12	832,215	875,178
Unclaimed dividends		49,435	25,369
Dividend payable		5,961	6,497
Provision against off-balance sheet obligations	19.1	484,356	293,532
Retention money payable		63,817	35,930
Security deposits against lease		153,910	144,881
Pre IPO proceeds	19.2	3,000,000	-
Others		1,539,876	1,019,767
		<u>13,620,616</u>	<u>7,332,059</u>
<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		293,532	253,727
Charge for the year		216,776	41,853
Reversals		(25,952)	(2,048)
Net charge		190,824	39,805
Closing balance		<u>484,356</u>	<u>293,532</u>

The above provision has been made against letters of guarantee issued by the Bank.

**19.2** The Bank is in the process to issue second TFC amounting to Rs. 4 billion out of which, Rs. 3 billion had been raised through Pre IPO and Rs. 1 billion will be offered for subscription through IPO for which SECP approval is awaited. As of December 31, 2008 Rs. 3 billion has been received as Pre IPO proceeds and are included in other liabilities.



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 20. SHARE CAPITAL

#### 20.1 Authorized capital

December 31, 2008	December 31, 2007		December 31, 2008	December 31, 2007
No. of shares			Rupees in '000	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	10,000,000	10,000,000

#### 20.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2008	December 31, 2007	Ordinary shares	December 31, 2008	December 31, 2007
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
222,035,681	114,308,294	Issued as bonus shares	2,220,357	1,143,083
628,815,775	521,088,388		6,288,158	5,210,884
9,148,550	9,148,550	18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
646,364,325	538,636,938		6,463,644	5,386,370

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 261,526,088 (40.46%) and 58,968,382 (9.12%) [(December 31, 2007: 170,379,240 (31.63%) and 47,473,652 (8.81%)] Ordinary shares of Rs.10 each, respectively, as at December 31, 2008.

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
<b>21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus/(deficit) arising on revaluation of:			
- fixed assets	21.1	2,833,442	1,507,300
- securities	21.2	(1,282,945)	(37,449)
Surplus on revaluation of assets - net of tax		1,550,497	1,469,851
<b>21.1 Surplus on revaluation of Fixed Assets</b>			
Surplus on revaluation of fixed assets as at January 1		1,696,306	1,738,949
Surplus on revaluation of properties recorded during the year		1,512,713	-
Surplus realized on disposal of revalued properties		-	(14,235)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(17,541)	(18,466)
Related deferred tax liability		(9,446)	(9,942)
	11.6	(26,987)	(28,408)
Surplus on revaluation of fixed assets as at December 31		3,182,032	1,696,306
Less: Related deferred tax liability on :			
Revaluation as at January 1		189,006	198,948
Charge on revaluation during the year		169,030	-
Incremental depreciation charged during the year transferred to profit and loss account		(9,446)	(9,942)
		348,590	189,006
		2,833,442	1,507,300



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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### 22.14 Other Contingencies

**22.14.1** The Income tax assessments of the Bank have been finalized up to and including Tax Year 2008 for local operations and Azad Kashmir Operations.

- a) While finalizing income tax assessments up to the assessment year 2000-2001, the Income Tax Authorities made certain add backs with a tax impact of Rs. 219 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were set-aside with a tax impact of Rs. 125 million. The appeal effect orders with regard to the above matters are pending.
- b) While finalizing income tax assessments from Assessment Year 2001-2002 to Tax Year 2006, the Income Tax Authorities made certain add backs with tax impact amounting to Rs. 6,500 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were deleted and set-aside, by Appellate Authorities, with tax impact of Rs. 4,102 million and Rs. 2,398 million respectively. The appeal effect orders with regard to the above matters are pending.
- c) The assessment for Tax Year 2007 and 2008 have been finalized with net additional tax liability of Rs. 2,798 million. The Bank has filed appeals against the orders before the Appellate Authority.

Pending the finalization of the above-referred matters, no provision has been made by the Bank in an aggregate sum of Rs. 7,448 million in these unconsolidated financial statements. This sum includes tax liability, aggregating to Rs. 4,102 million, already deleted by the Appellate Authorities. Against most of the deleted and set-aside issues Income Department is in appeal before higher appellate authorities. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

**22.14.2** As a result of a compromise decree granted by the Honourable High Court of Sindh in August 2002, Fateh Textile Mills Limited pledged 16,376,106 shares of ABL with the Bank as security consequent to the default by Fateh Textile Mills Limited on the terms of the decree. The Bank published a notice on June 23, 2004 in accordance with the requirements of section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and invited sealed bids from interested parties to purchase the pledged shares. The bidding process was scheduled for July 23, 2004 and the Bank had fixed a reserve price of Rs. 25 per share. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited had filed a suit against the Bank in the High Court of Sindh challenging the sale of the above shares. The High Court had not granted a stay order on the process of sale of shares. However, the matter is still pending in the Court.

### 23. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures

#### Forward Exchange Contracts (with Importers and Exporters)

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed.

If the relevant exchange rate moves un-favourably, the Bank will loose money, and Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking forward position in inter-bank FX.

#### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favourable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

### Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio, in both held for trading and available for sale, against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank.

The accounting policies used to recognize and disclose derivatives are given in note 5.15.2. The risk management framework of derivative instruments is given in note 42.

	December 31, 2008	December 31, 2007
	Rupees in '000	
<b>24. MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances	21,942,061	14,471,070
<b>On investments in:</b>		
Available for sale securities	5,176,612	3,332,119
Held to maturity securities	1,442,152	1,465,451
On deposits with financial institutions	6,618,764	4,797,570
On securities purchased under resale agreements	64,456	122,037
On certificates of investment	1,526,640	1,114,717
On letters of placement	45,362	296,385
On call money lending	108,600	205,119
	264,657	194,524
	<u>30,570,540</u>	<u>21,201,422</u>
<b>25. MARK-UP/RETURN/INTEREST EXPENDED</b>		
Deposits	13,978,000	8,673,391
Long term borrowing	202,962	48,289
Securities sold under repurchase agreements	599,629	583,467
Other short term borrowings	1,074,941	408,912
Brokerage and commission	130,467	74,006
Markup on Term Finance Certificates	346,275	304,945
Markup on Pre - IPO proceeds	227,532	-
	<u>16,559,806</u>	<u>10,093,010</u>
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	1,977,709	1,654,654
Account maintenance charges	313,750	408,023
	<u>2,291,459</u>	<u>2,062,677</u>
<b>27. GAIN ON SALE OF SECURITIES</b>		
Federal Government Securities		
Market Treasury Bills	-	83
Shares - Listed	42,618	624,782
Shares - Unlisted	-	83,413
Open End Mutual Funds	100,513	720,256
Term Finance Certificates	7,937	10,853
	<u>151,068</u>	<u>1,439,387</u>
<b>28. OTHER INCOME</b>		
Gain on sale of operating fixed assets	9,889	14,297
Miscellaneous	49,265	63,138
	<u>59,154</u>	<u>77,435</u>

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.1	4,870,236	3,506,475
Charge for defined benefit plan		2,701	97,778
Contribution to defined contribution plan - provident fund		136,353	128,359
Non-executive directors' fees, allowances and other expenses		1,750	515
Rent, taxes, insurance, electricity, etc.		733,076	599,371
Legal and professional charges		111,181	64,006
Communications		325,706	237,858
Repairs and maintenance		247,748	114,188
Stationery and printing		205,324	131,194
Advertisement and publicity		141,124	157,641
Auditors' remuneration	29.2	9,520	9,277
Depreciation/Amortization	11.2 & 11.3	420,242	341,656
Security service charges		273,423	143,797
Travelling, conveyance and fuel expenses		173,540	139,680
Entertainment		68,420	51,684
Computer expenses		174,832	145,158
Subscription		77,376	21,562
Donations	29.3	81,890	27,698
Others		35,471	26,443
		8,089,913	5,944,340

**29.1** During the year, the Bank offered Voluntary Retirement Scheme (VRS) to its employees. 318 employees of the Bank opted for retirement under this scheme. Total liability for these employees under this scheme for pension, gratuity, leave encashment, medical, benevolent and salary compensation benefits is worked out to Rs. 1,170 million. As a result the Bank has incurred Rs.486 million which is provided by the Bank during the year and is included in salaries, allowances etc.

### 29.2 Auditors' remuneration

	December 31, 2008			December 31, 2007		
	KPMG Taseer Hadi & Co.	M. Yousuf Adil Saleem & Co.	Total	M. Yousuf Adil Saleem & Co.	Ford Rhodes Sidat Hyder & Co.	Total
Rupees in '000						
Audit fee	2,600	2,600	5,200	1,650	1,650	3,300
Special certifications, half yearly reviews and sundry miscellaneous services	1,550	1,980	3,530	2,725	2,230	4,955
Out-of-pocket expenses	156	634	790	558	464	1,022
	4,306	5,214	9,520	4,933	4,344	9,277

**29.3** None of the directors, executives and their spouses had any interest in the donations disbursed during the year except for donation to National Management Foundation where one of the Bank's director is also member of Board of Governors of the organization. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:



	Note	December 31, 2008	December 31, 2007
Rupees in '000			
The Karachi Education Initiative		40,000	-
National Management Foundation		20,000	20,000
Capital City Police Force		13,990	-
Book group and Zindagi Trust		2,500	-
Care Foundation		1,000	200
Liver Foundation Trust		1,000	2,500
Agha Khan Hospital and Medical College Foundation		1,000	-
Abdus Sattar Edhi Foundation		500	-
Tamir Welfare Organization		500	248
M/s Lahore business Association		500	-
Ms.Mahwish Khan		300	-
Khoj Society for People's Education		250	-
M/s Tehzeeb Social Welfare		250	-
Shaukat Khanum Memorial Cancer Hospital and Research Centre		-	2,500
DHQ Hospital Dera Ghazi Khan		-	2,000
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		215,641	256,869
Charge for workers' welfare fund		125,060	-
Education cess		7,000	-
Fixed assets written off		20,711	-
Other assets written off		14,299	-
Investments written off		8,166	-
		<u>390,877</u>	<u>256,869</u>
<b>31. TAXATION</b>			
Current - for the year		1,829,425	1,887,299
- for prior years		-	-
		<u>1,829,425</u>	<u>1,887,299</u>
Deferred		134,829	(10,381)
		<u>1,964,254</u>	<u>1,876,918</u>
<b>31.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the current year		6,120,940	5,953,076
Tax on income @ 35% (2007 : 35%)		2,142,329	2,083,577
Effect of permanent differences		145,474	170,404
Effect of exempt income		-	(298,268)
Adjustments in respect of tax at reduced rates		(387,161)	(18,824)
Others		63,612	(59,971)
Tax charge for the current year		<u>1,964,254</u>	<u>1,876,918</u>
<b>32. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
		<b>Rupees in '000</b>	
Profit after taxation		4,156,686	4,076,158
		<b>Number of Shares</b>	
Weighted average number of ordinary shares outstanding during the year	32.1	646,364,325	646,364,325
		<b>Rupees</b>	
Earnings per share - basic and diluted		6.43	6.31
There is no dilution effect on basic earnings per share.			
<b>32.1</b>		The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the year.	

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	23,653,754	29,739,857
Balances with other banks	7	2,096,779	668,449
Overdrawn nostro accounts	16	(132,906)	(55,595)
		<u>25,617,627</u>	<u>30,352,711</u>
<b>34. STAFF STRENGTH</b>			
Permanent		8,325	8,181
Temporary/on contractual basis/trainee		102	55
Bank's own staff strength at the end of the year		<u>8,427</u>	<u>8,236</u>
Outsourced		2,681	2,061
Total staff strength		<u>11,108</u>	<u>10,297</u>

### 35. DEFINED BENEFIT PLANS

#### 35.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme - funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

#### 35.2 Number of Employees under the schemes

The number of employees covered under the following defined benefit scheme/plans are:

	December 31, 2008	December 31, 2007
Number		
- Gratuity fund	8,427	8,224
- Pension fund	3,226	3,743
- Benevolent fund	8,215	8,164
- Employees' compensated absences	8,325	8,164
- Post retirement medical benefits	8,325	8,164

#### 35.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2008 based on the Projected Unit Credit Method, using the following significant assumptions:

	December 31, 2008	December 31, 2007	Sources of estimation
Discount rate	14.00%	10.00%	Yield on investments in Government Bonds
Expected rate of return on plan assets:			
Pension fund	14.00%	12.40%	Yield on investments in Government Bonds
Gratuity fund	14.00%	11.80%	
Benevolent fund	14.00%	11.90%	
Expected rate of salary increase	12.00%	8.00%	Rate of salary increase
Pension indexation rate	7.00%	3.00%	
Medical inflation rate	10.00%	7.00%	
Exposure inflation rate	3.00%	2.00%	

**35.4 Reconciliation of (receivable from) / payable to defined benefit plans**

		December 31, 2008			
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Present value of defined benefit obligations	35.6	3,400,000	557,547	474,679	1,521,833
Fair value of plan/scheme's assets	35.7	(4,319,903)	(304,031)	(617,643)	-
Net actuarial (losses) not recognized		(438,865)	(162,671)	(140,452)	(244,078)
		(1,358,768)	90,845	(283,416)	1,277,755
Benefit of the surplus not available to the Bank		-	-	141,708	-
		(1,358,768)	90,845	(141,708)	1,277,755
		December 31, 2007			
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Present value of defined benefit obligations	35.6	3,461,993	574,685	557,296	1,624,176
Fair value of plan/scheme's assets	35.7	(5,738,722)	(475,357)	(692,158)	-
Net actuarial gains/(losses) not recognized		1,107,236	(8,483)	(82,552)	(448,404)
		(1,169,493)	90,845	(217,414)	1,175,772
Benefit of the surplus not available to the Bank		-	-	108,707	-
		(1,169,493)	90,845	(108,707)	1,175,772

**35.4.1** The latest actuarial valuation of Benevolent Fund, carried out as at December 31, 2008 highlighted a surplus amounting to Rs. 141.708 million attributable to the Bank. The Bank has maintained 100% provision against it.

**35.4.2** The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2008 would be Rs. 102.309 million (2007: Rs. 105.745 million) and Rs. 79.223 million (2007: Rs. 88.026 million) respectively.

**35.5 Movement in (receivable from) / payable to defined benefit plans**

		December 31, 2008			
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Opening balance		(1,169,493)	90,845	(108,707)	1,175,772
Charge/(reversal) for the year	35.9	(409,849)	97,259	(9,518)	234,041
Contribution to the fund made during the year					
Bank's contribution		-	(109,399)	(34,590)	-
Benefits paid		-	-	-	(171,049)
VRS loss		220,574	12,140	11,107	38,991
		(1,358,768)	90,845	(141,708)	1,277,755

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2007			
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
		Rupees in '000			
Opening balance		(953,292)	112,570	(78,772)	1,052,971
Charge/(reversal) for the year	35.9	(216,201)	84,299	6,345	208,814
Contribution to the fund made during the year					
Bank's contribution		-	(106,024)	(36,280)	-
Benefits paid		-	-	-	(86,013)
VRS loss		-	-	-	-
Closing balance		(1,169,493)	90,845	(108,707)	1,175,772

### 35.6 Reconciliation of present value of defined benefit obligations

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Opening balance	3,461,993	574,685	557,296	1,624,176
Current service cost	-	95,882	17,597	47,791
Interest cost	346,199	57,469	55,730	162,418
Benefits paid	(865,854)	(120,150)	(72,261)	(171,049)
VRS loss	340,427	10,140	11,107	11,991
Actuarial (gains) / losses	117,235	(60,479)	(94,790)	(153,494)
Closing balance	3,400,000	557,547	474,679	1,521,833

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Opening balance	3,295,249	463,564	532,218	1,458,865
Current service cost	-	77,343	19,174	42,926
Interest cost	329,525	46,356	53,222	145,887
Benefits paid	(381,960)	(35,388)	(45,894)	(86,013)
VRS loss	-	-	-	-
Actuarial (gains) / losses	219,179	22,810	(1,424)	62,511
Closing balance	3,461,993	574,685	557,296	1,624,176

### 35.7 Reconciliation of fair value of plan assets

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Opening balance	5,738,722	475,357	692,158	-
Expected return on plan assets	711,602	56,092	82,367	-
Bank's contribution	-	109,399	34,590	-
Employees' contribution	-	-	34,590	-
Benefits paid	(865,854)	(120,150)	(72,261)	-
Actuarial gains / (losses)	(1,264,567)	(216,667)	(153,801)	-
Closing balance	4,319,903	304,031	617,643	-

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Opening balance	5,155,897	393,999	610,811	-
Expected return on plan assets	515,590	39,400	61,081	-
Bank's contribution	-	106,024	36,280	-
Employees' contribution	-	-	36,280	-
Benefits paid	(381,960)	(35,388)	(45,894)	-
Actuarial gains / (losses)	449,195	(28,678)	(6,400)	-
Closing balance	5,738,722	475,357	692,158	-

**35.8 Composition of fair value of plan assets**

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Government securities	1,868,887	14,931	291,113	-
Open end mutual funds	404,796	-	-	-
Listed shares *	495,167	107,871	73,576	-
Bank balances *	1,551,053	181,229	252,984	-
	4,319,903	304,031	617,673	-
* Fair value of Bank's financial instruments included in plan assets				
Shares of ABL	234,419	74,555	6,577	-
Bank balances with ABL	1,551,053	181,229	252,984	-
	1,785,472	255,784	259,561	-

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Government securities	3,447,938	19,492	335,540	-
Open end mutual funds	-	-	-	-
Listed shares *	1,344,419	166,671	160,354	-
Bank balances *	946,365	289,194	196,264	-
	5,738,722	475,357	692,158	-
* Fair value of Bank's financial instruments included in plan assets				
Shares of ABL	524,607	25,601	-	-
Bank balances with ABL	946,365	289,194	196,264	-
	1,470,972	314,795	196,264	-



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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### 35.9 Charge for defined benefit plan

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Current service cost	-	95,882	17,597	47,791
Interest cost	346,199	57,469	55,730	162,418
Expected return on plan assets	(711,602)	(56,092)	(82,367)	-
Actuarial (gains)/losses	(44,446)	-	1,111	23,832
Contributions - employee	-	-	(34,590)	-
Benefit of the surplus not available to the Bank	-	-	33,001	-
	(409,849)	97,259	(9,518)	234,041

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Current service cost	-	77,343	19,174	42,926
Interest cost	329,525	46,356	53,222	145,887
Expected return on plan assets	(515,590)	(39,400)	(61,081)	-
Actuarial (gains)/losses	(30,136)	-	1,375	20,001
Contributions - employee	-	-	(36,280)	-
Benefit of the surplus not available to the Bank	-	-	29,935	-
	(216,201)	84,299	6,345	208,814

**35.9.1** The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post-employment medical costs would be Rs. 9.589 million (2007: Rs. 10.575 million) and Rs. 8.099 million (2007: Rs. 8.803 million) respectively.

	December 31, 2008	December 31, 2007
	Rupees in '000	
<b>35.10 Actual return on plan assets</b>		
- Pension fund	(552,965)	964,785
- Gratuity fund	(160,575)	10,722
- Benevolent fund	(71,434)	54,681

### 35.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	3,400,000	3,461,993	3,295,249	3,244,547	3,862,879
Fair value of plan assets	(4,319,903)	(5,738,722)	(5,155,897)	(5,475,648)	(5,635,568)
Surplus	(919,903)	(2,276,729)	(1,860,648)	(2,231,101)	(1,772,689)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	(117,235)	(219,179)	(63,723)	636,805	428,741
Actuarial gain / (loss) on assets	(1,264,567)	449,195	(529,840)	(360,464)	310,488

	<b>Gratuity fund</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>Rupees in '000</b>				
Present value of defined benefit obligation	557,547	574,685	463,564	376,520	294,852
Fair value of plan assets	(304,031)	(475,357)	(393,999)	(286,159)	(211,816)
Deficit	253,516	99,328	69,565	90,361	83,036
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	60,479	(22,810)	1,848	1,362	101,325
Actuarial gain / (loss) on assets	(216,667)	(28,678)	19,193	(1,362)	7,318
	<b>Benevolent fund</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>Rupees in '000</b>				
Present value of defined benefit obligation	474,679	557,296	532,218	559,397	545,574
Fair value of plan assets	(617,643)	(692,158)	(610,811)	(563,483)	(504,731)
(Surplus) / deficit	(142,964)	(134,862)	(78,593)	(4,086)	40,843
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	94,790	1,424	51,450	(2,126)	50,519
Actuarial gain / (loss) on assets	(153,801)	(6,400)	(27,417)	2,126	(49,592)
	<b>Post retirement medical</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>Rupees in '000</b>				
Present value of defined benefit obligation	1,521,833	1,624,176	1,458,865	1,292,221	1,224,870
Fair value of plan assets	-	-	-	-	-
Deficit	1,521,833	1,624,176	1,458,865	1,292,221	1,224,870
<i>Experience adjustments on plan obligations</i>					
Actuarial gain / (loss) on obligation	153,494	(62,511)	(68,312)	-	1,398

### 35.12 Employees' compensated absences

The liability of the Bank in respect of long-term employees' compensated absences is determined, based on actuarial valuation, carried out using the Projected Unit Credit Method. The liability of the Bank as at December 31, 2008, as per the latest actuarial valuation carried out as at December 31, 2008 which, after considering the estimated liability for the current year, amounted to Rs. 832.215 million (2007: Rs. 875.178 million). A charge of Rs. 90.768 million (2007: Rs. 14.521 million) has been provided during the current year.

### 35.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next one year. Contribution to the benevolent fund is made by the Bank as per rates set out in the benevolent scheme. No contributions are being made to pension fund due to large amount of surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / reversal in respect of defined benefit plans for the year ending December 31, 2009 would be as follows:

	<b>Pension fund</b>	<b>Gratuity fund</b>	<b>Benevolent fund</b>	<b>Post retirement medical</b>
	<b>Rupees in '000</b>			
Expected (reversal) / charge for the next year	(128,161)	151,466	4,062	277,527

### 36. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for employees who are covered under the new gratuity scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 6,776 (2007: 6,745) as on December 31, 2008. During the year, employees made a contribution of Rs. 136.353 (2007: Rs. 128.359) million to the fund. The Bank has also made a contribution of equal amount to the fund.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Directors		Executives	
		December 31, 2008	December 31 2007	December 31, 2008	December 31 2007	December 31, 2008	December 31, 2007
<b>Rupees in '000</b>							
Fees	37.1	-	-	1,750	515	-	-
Managerial remuneration		12,581	20,570	-	-	300,628	350,120
Charge for defined benefit plans		647	944	-	-	65,874	56,962
Contribution to defined contribution plan		1,048	1,714	-	-	25,042	29,165
Rent and house maintenance		5,661	-	-	-	120,067	151,602
Utilities		1,701	1,555	-	-	29,339	37,111
Medical		640	292	-	-	36,779	45,875
Bonus		1,290	10,161	-	-	165,238	266,227
Conveyance and others		880	733	-	-	40,883	50,863
		<u>24,448</u>	<u>35,969</u>	<u>1,750</u>	<u>515</u>	<u>783,850</u>	<u>987,925</u>
Number of persons	37.2	<u>1</u>	<u>2</u>	<u>11</u>	<u>11</u>	<u>332</u>	<u>436</u>

**37.1** This represents remuneration paid to each director including the outgoing director for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Each director was paid Rs.25,000 during the year for each meeting attended.

**37.2** Number of persons include the outgoing President, Director(s) and executives.

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as held to maturity. Fair value of unquoted equity investments is determined on the basis of lower of cost and break up value of these investments as per the latest available audited accounts.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 42.3.1 and 42.2.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	December 31, 2008				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	Rupees in '000				
Total Income	299,034	2,009,934	16,148,132	26,717,331	358,691
Total Expenses	(167,616)	(1,914,129)	(13,964,870)	(25,104,215)	(225,606)
Net Income	131,418	95,805	2,183,262	1,613,116	133,085
Segment Assets (Gross)	390,294	16,244,953	98,600,711	264,578,928	376,119
Segment Non Performing Loans	-	-	5,689,068	8,082,827	-
Segment Provision Required	-	-	4,680,643	8,830,170	-
Segment Liabilities	299,451	17,414,760	237,204,188	86,152,876	3,253,303
Segment Return on net Assets (ROA) (%)*	33.67%	0.59%	2.32%	0.63%	35.38%
Segment Cost of Funds (%)*	0.00%	9.55%	7.16%	9.98%	0.00%

	December 31, 2007				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	Rupees in '000				
Total Income	241,543	1,961,690	9,700,956	19,129,996	190,844
Total Expenses	(123,631)	(1,719,213)	(7,598,087)	(17,591,464)	(116,476)
Net Income	117,912	242,477	2,102,869	1,538,532	74,368
Segment Assets (Gross)	275,683	19,152,721	75,048,673	236,481,289	164,254
Segment Non Performing Loans	-	-	3,643,515	7,711,408	-
Segment Provision Required	-	-	4,172,680	6,840,217	-
Segment Liabilities	177,137	15,070,717	195,095,581	86,283,417	3,604,629
Segment Return on net Assets (ROA) (%)*	42.77%	1.27%	2.97%	0.67%	45.28%
Segment Cost of Funds (%)*	0.00%	7.64%	3.79%	8.41%	0.00%

\*The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 40. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorship, directors and employee benefit plans.

Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e., under the comparable uncontrolled price method).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan).

Details of transactions with related parties except those under the terms of employment and balances with them as at the year end were as follows:

	December 31, 2008					December 31, 2007				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
Rupees in '000										
<b>Nature of related party transactions</b>										
<b>Loans</b>										
Loans at the beginning of the year	11,783	-	-	75,899	2,053,508	386	-	-	43,490	-
Loans given during the year	25,612	-	-	152,113	8,907,741	17,686	-	-	42,846	-
Loans repaid during the year	(10,355)	-	-	(22,151)	(7,163,460)	(6,289)	-	-	(10,437)	-
Loans at the end of the year	27,040	-	-	205,861	3,797,789	11,783	-	-	75,899	-
<b>Deposits</b>										
Deposits at the beginning of the year	3,763	87,452	502,788	19,976	2,953	1,701	58,082	-	3,790	-
Deposits received during the year	1,005,141	2,490,881	3,316,103	208,653	5,810,587	4,978,161	1,163,102	1,004,609	139,731	-
Deposits repaid during the year	(1,004,059)	(2,523,251)	(3,818,113)	(216,320)	(5,688,539)	(4,976,099)	(1,133,732)	(501,821)	(123,545)	-
Deposits at the end of the year	4,845	55,082	778	12,309	125,001	3,763	87,452	502,788	19,976	-
Other receivables	-	-	1,140	-	-	-	-	5,740	-	-
Net receivable from										
staff retirement benefit funds	-	-	-	-	1,393,710	-	-	-	-	1,153,044
Staff retirement fund deposits	-	-	-	-	3,317,336	-	-	-	-	1,863,389
Investments in Shares	-	235,969	500,000	-	211,884	-	235,969	500,000	-	47,527
Nostro Balances	-	372,416	-	-	-	-	86,820	-	-	-
Mark-up earned on loans	857	-	-	9,535	410,286	-	-	-	3,152	-
Income on placements	-	1,110	-	-	-	-	-	-	-	-
Income on lendings	-	116	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	9,855	-	-	-	-	-
Sales commission	-	-	1,140	-	-	-	-	-	-	-
Mark-up expense on deposits	37	-	10,205	170	312,998	67	185	14,690	102	26,003
Interest expense on borrowings	-	468	-	-	-	-	1,374	-	-	-
Directors' meeting fee	1,750	-	-	-	-	515	-	-	-	-
NIFT charges	-	-	-	-	60,662	-	-	-	-	52,213
Bank Charges Levied	-	-	1	5	-	-	-	1	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	(185,754)	-	-	-	-	2,802

The other balances, held with related parties, outstanding at the end of the current year and transactions made during the year are included in notes 7.1, 20.2 and 37 to these unconsolidated financial statements.

### 41. CAPITAL ASSESSMENT AND ADEQUACY

#### 41.1 Scope of Applications

The Basel II Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

#### 41.2 Capital Structure

Banks regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities and deficit on revaluation of available for sale investments.



Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50%).

The Bank has issued unsecured subordinated Term Finance Certificates, which contributes towards Tier II capital for minimum capital requirements (MCR) to support the Bank's growth. All the regulatory approvals were obtained in December 2006. Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits and is not redeemable before maturity without prior approval of the SBP. The rate of return is based on Karachi Interbank Offer Rate (KIBOR) prevailing on the last working day before the beginning of each semi annual redemption period plus 1.9% (no floor, no cap) 0.24% of the principal shall be redeemable in the first 72 months and the remaining principal shall be redeemable in 4 equal semi-annual installments of 24.49% each of the issue amount respectively, starting from the 78th month.

Other salient features of the issue are as follows:

Total Issue	Rs 2,500 million
Rating	A
Listing	Karachi Stock Exchange (Guarantee) Ltd
Repayment	8 years (2007 – 2014)
Profit payment	Semi annually in arrears (365 day basis)

The Bank is in the process of issuing second TFC amounting to Rs. 4 billion out of which, Rs. 3. billion had been raised through the IPO and Rs. 1 billion will be offered for subscription through IPO for which SECP approval is awaited. As of December 31, 2008 Rs. 3 billion was received as Pre IPO proceeds and are included in other liabilities.

Tier 3 Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier 3 capital.

The required capital is achieved by the Bank through:

- enhancement in the risk profile of asset mix at the existing volume level;
- ensuring better recovery management; and
- maintain acceptable profit margins.

Detail of the Bank's eligible capital (on an unconsolidated basis) is as follows:

	December 31, 2008	December 31, 2007
	Rupees in '000	
	Audited	Un-Audited
<b>Tier I Capital</b>		
Shareholders' equity /Assigned Capital	6,463,644	5,386,370
Share premium	2,341,322	3,418,596
Reserves	3,463,454	2,632,117
Unappropriated profits (Net of Losses)	8,536,697	6,971,308
Less: Book value of intangibles	(106,906)	(38,008)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(172,512)	-
Other deductions (represents 50% of investment in subsidiary)	(250,000)	(250,000)
	(529,418)	(288,008)
<b>Total Tier I Capital</b>	<b>20,275,699</b>	<b>18,120,383</b>
<b>Tier II Capital</b>		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,498,000	2,499,000
General Provisions subject to 1.25% of Total Risk Weighted Assets	10,060	13,123
Revaluation Reserve (upto 45%)	533,706	688,593
Less: Investment in a subsidiary company (50%)	(250,000)	(250,000)
<b>Total Tier II Capital</b>	<b>2,791,766</b>	<b>2,950,716</b>
<b>Eligible Tier III Capital</b>	<b>-</b>	<b>-</b>
<b>Total Regulatory Capital Base</b>	<b>23,067,465</b>	<b>21,071,099</b>

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

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### 41.3 Capital Adequacy

#### Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). ALCO is responsible for managing Bank's capital position vis-à-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Bank's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

#### Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the Banks to raise their minimum paid up capital to Rs. 5 billion by the end of financial year 2008.

Capital requirement of Rs. 5 billion has to be raised to Rs. 6 billion by the end of financial year 2009. The Banks are expected to increase their minimum paid up capital to Rs 23 billion in a phased manner by the end of financial year 2013.

SBP through its BSD Circular No. 30 dated November 25, 2008 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 9% on standalone as well as on consolidated basis latest by December 31, 2008. Banks are expected to raise their minimum Capital Adequacy Ratio (CAR) of 9% to 10% by December 31, 2009.

The paid up capital and CAR of the Bank stands at Rs. 6.464 billion and 10.90% of its risk weighted exposure as at December 31, 2008.

The Bank has complied with all externally imposed capital requirements throughout the period.

### 41.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees in '000			
	Audited	Un-Audited	Audited	Un-Audited
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On- Balance Sheet				
(a) Cash and Cash Equivalents	6,562,095	6,617,381	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	84,672,778	85,593,452	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	3,405,981	1,241,860	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	141,964	164,089	141,964	164,089
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	26,834,934	11,053,910	4,836,284	3,721,804
(h) Claims on Banks	3,251,356	2,726,585	650,356	545,402
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	2,096,496	668,165	419,299	133,633
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	15,369,450	18,244,047	680,741	1,580,804
(k) Claims on Corporates (excluding equity exposures)	143,535,014	123,966,733	99,465,502	105,842,719
(l) Claims categorized as retail portfolio	50,301,199	29,422,167	36,815,220	20,746,279
(m) Claims fully secured by residential property	4,635,961	4,376,075	1,622,586	1,531,626
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:				

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees in '000			
	Audited	Un-Audited	Audited	Un-Audited
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	40,689	32,765	61,034	49,148
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	3,682,715	1,730,531	3,682,715	1,730,531
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,564	109,165	1,282	54,583
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount	23,788	14,078	11,894	7,039
(o) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	4,838,034	22,899,182	4,838,034	22,899,182
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	1,022,387	916,063	1,533,581	1,374,094
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	11,027,530	7,548,628	11,027,530	7,548,628
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	4,638,410	2,765,572	4,638,410	2,765,572
	<b>366,083,345</b>	<b>320,090,448</b>	<b>170,426,432</b>	<b>170,695,133</b>
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	13,352,386	12,271,071	9,796,023	6,871,188
Trade Related contingencies/Other Commitments with original maturity of one year or less	75,991,802	83,037,690	8,757,607	9,759,882
	89,344,188	95,308,761	18,553,630	16,631,070
<b>Equity Exposure Risk in the Banking Book</b>				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	21,915,013	15,762,222	180,523	150,121
<b>Total Credit Risk (A)</b>	<b>477,342,546</b>	<b>431,161,431</b>	<b>189,160,585</b>	<b>187,476,324</b>
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	-	5,184	-	64,800
	-	5,184	-	64,800
Capital Requirement for portfolios subject to Internal Models Approach				
Interest rate risk	10,405	9,309	130,060	116,361
Foreign exchange risk etc.	10,405	9,309	130,060	116,361
<b>Total Market Risk (B)</b>	<b>10,405</b>	<b>14,493</b>	<b>130,060</b>	<b>181,161</b>
<b>Operational Risk</b>				
Basic Indicator Approach-Total of operational risk (C)	1,792,020	1,413,190	22,400,253	17,664,875
<b>TOTAL of A + B + C</b>	<b>479,144,971</b>	<b>432,589,114</b>	<b>211,690,898</b>	<b>205,322,360</b>
			<b>December 31, 2008</b>	<b>December 31, 2007</b>
			<b>Audited</b>	<b>Un-Audited</b>
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (Note 41.2)	(a)		23,067,465	21,071,099
Total Risk Weighted Assets (Note 41.3)	(b)		211,690,898	205,322,360
Capital Adequacy Ratio	(a) / (b)		10.90%	10.26%

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### 42. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

#### Categories of Risk

The Bank generates most of its revenues by accepting Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

#### Credit Risk

This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

#### Market Risk

The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Bank (this risk is also known as price risk).

#### Liquidity Risk

The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

#### Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.

#### Reputational Risk

The risk of failing to meet the standards of performance or behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

#### Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) which discharges various responsibilities assigned to it by the BRMC.
- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

#### Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Risk Architecture, Risk Analytics, Operational Risk and Market Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

### 42.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk, Commercial and Retail Risk, and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

- The Bank manages 3 principal sources of credit risk:
- i) Sovereign credit risk on its public sector advances
  - ii) Non-sovereign credit risk on its private sector advances
  - iii) Counterparty credit risk on interbank limits

#### **Sovereign Credit Risk**

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### **Non-Sovereign Credit Risk**

When the Bank lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk. Financial analysis is further strengthened through use of separate financial spreadsheet templates that have been designed for manufacturing/trading concerns, financial institutions and insurance companies.

#### **Counter Party Credit Risk on Interbank Limits**

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market, interest and currency rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is BBB.

#### **Country Risk**

The Bank has in place a Country Risk Management Policy which has been approved by the Board. This policy focuses on international exposure undertaken by the Bank. The Bank utilizes country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. The country risk limits used by the Bank are linked to the Dun & Bradstreet ratings and FID is responsible for monitoring of country exposure limits.

#### **Credit Administration**

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Division constantly monitors the security and documentation risks inherent in the existing credit portfolio through six regional credit administration departments located all over the country.

#### **Risk Analytics**

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

#### **Internal Risk Rating Models**

The Bank has developed internal risk rating models to assign credit risk ratings to its Corporate and Institutional borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The ratings are assigned at Risk Analytic's Level and are given due weightage while extending credit to these asset classes. The Bank intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

#### **Stress Testing**

The Bank is also conducting stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy.

#### **Early Warning System**

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' influences the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the Watch-List category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved.



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAM), which is responsible for management of non performing loans. SAM undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2008, the average specific provisioning rate was 76.33% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the note numbers 5 and 10 to these financial statements. The movement in specific and general provision held is given in note 10.5 to these financial statements.

### Portfolio Diversification

During the year 2008, the advances grew by 25.27%, while concomitantly maintaining healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

While expanding the advances portfolio, efficient portfolio diversification has been a key consideration. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Textile, Cement, Agriculture and Electric Generation are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

#### 42.1.1 Segmental Information

##### 42.1.1.1 Segments by class of business

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	21,816,521	9.76	15,900,662	5.35	169,426	0.13
Cement/clay/ceramics	13,173,582	5.89	1,991,781	0.67	442,219	0.35
Electric generation	29,926,356	13.38	10,338,890	3.48	547,640	0.43
Financial institutions	5,523,694	2.47	569,571	0.19	25,905,623	20.55
Food manufacturing	17,144,935	7.67	7,192,695	2.42	-	-
Individuals	5,453,112	2.44	76,943,516	25.87	1,237,277	0.98
Iron steel	3,182,380	1.42	5,417,184	1.82	1,828,282	1.45
Oil and gas etc.	10,570,349	4.73	16,072,777	5.40	41,796,605	33.16
Sugar	4,385,709	1.96	1,607,156	0.54	82,220	0.07
Textile	45,225,877	20.22	11,405,959	3.83	2,226,772	1.77
Transport, storage and communication	8,091,774	3.62	3,303,211	1.11	10,799	0.01
Wholesale and retail trade	10,600,915	4.74	19,983,812	6.72	1,739,037	1.38
Others	48,544,573	21.70	126,748,107	42.60	50,074,878	39.72
	<u>223,639,777</u>	<u>100.00</u>	<u>297,475,321</u>	<u>100.00</u>	<u>126,060,778</u>	<u>100.00</u>

##### 42.1.1.2 Segments by sector

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	37,408,776	16.73	34,483,785	11.59	5,299,893	4.20
Private	186,231,001	83.27	262,991,536	88.41	120,760,885	95.80
	<u>223,639,777</u>	<u>100.00</u>	<u>297,475,321</u>	<u>100.00</u>	<u>126,060,778</u>	<u>100.00</u>

**42.1.1.3 Details of non-performing advances and specific provisions by class of business segment**

	December 31, 2008		December 31, 2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Agriculture	260,493	193,047	334,558	281,122
Chemical	152,525	152,525	192,307	188,119
Food manufacturing	310,768	276,518	351,984	350,784
Individuals	158,040	154,736	189,258	179,645
Textile	2,147,402	1,478,023	1,590,827	1,121,628
Transport, storage and communication	1,103,752	988,150	945,536	732,655
Wholesale and retail trade	745,859	622,120	624,336	575,361
Others	8,893,056	6,647,317	7,126,117	6,529,367
	13,771,895	10,512,436	11,354,923	9,958,681

**42.1.1.4 Details of non-performing advances and specific provisions by sector**

	December 31, 2008		December 31, 2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Public/Government	689,039	276,270	506,947	322,828
Private	13,082,856	10,236,166	10,847,976	9,635,853
	13,771,895	10,512,436	11,354,923	9,958,681

**42.1.1.5 Geographical Segment Analysis**

	December 31, 2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
Pakistan	6,120,940	366,680,192	22,355,614	126,060,778

**42.1.2 Credit Risk - General Disclosures**

The Bank is following standardized approach for all its Credit Risk Exposures.

**42.1.2.1 Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific**

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits"

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

**Selection of ECAIs**

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Sovereigns Exposures: For foreign currency claims on sovereigns, the Bank uses country risk scores of **Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.**

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (*excluding equity exposures*).

### Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
				CC	CC	
				C	C	
					D	

#### Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1+ A-1	A-1+ A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Types of exposures and ECAI's used

December 31, 2008

Exposures	JCR-VIS	PACRA	FITCH	Standard & Poors
Corporate	Yes	Yes	-	-
Banks	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-
SME's	-	-	-	-
Securitized	-	-	-	-
Others	Yes	Yes	-	-

**Credit exposures subject to Standardized Approach**

Exposures	Rating Category	December 31, 2008						December 31, 2007					
		Rupees in '000											
		Audited			Un-Audited			Audited			Un-Audited		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	40,438,519	-	40,438,519	12,674,906	-	12,674,906	12,674,906	-	12,674,906	15,008,178	-	15,008,178
	2	19,084,894	-	19,084,894	6,948,760	480,000	6,468,760	6,948,760	480,000	6,468,760	-	-	-
	3, 4	1,036,060	-	1,036,060	-	-	-	-	-	-	-	-	-
	5, 6	37,500	-	37,500	-	-	-	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less		15,369,450	11,965,747	3,403,703	18,244,047	10,340,025	7,904,022	18,244,047	10,340,025	7,904,022	29,422,167	1,760,462	27,661,705
Retail		50,301,199	1,214,239	49,086,960	29,422,167	1,760,462	27,661,705	29,422,167	1,760,462	27,661,705	6,017,169	-	6,017,169
Public sector entities	1	9,244,319	-	9,244,319	6,017,169	-	6,017,169	6,017,169	-	6,017,169	129,521,256	-	129,521,256
Others		129,521,256	-	129,521,256	137,039,907	-	137,039,907	137,039,907	-	137,039,907	101,050,148	13,810,774	87,239,374
Unrated		101,050,148	13,810,774	87,239,374	94,735,314	-	94,735,314	94,735,314	-	94,735,314			

**42.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach**

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

**42.2 Equity position risk in the banking book**

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

**Classification of investments**

Under SBP's directives, equity investment may be classified as "Held For Trading (HFT)", "Available for Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

**Policies, valuation and accounting of equity investments**

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the bank's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2008

### Composition of equity investments

	Held for Trading	Available for Sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	-	6,672,140	-
Equity Investments - Others	-	992,675	500,000
Total Value	-	7,664,815	500,000

The cumulative realized gain / (loss) arose of Rs. 151,068 from sale of equity securities; however unrealized loss of Rs. 1,973.762 million was recognized in the balance sheet in respect of "AFS" securities.

#### 42.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price Risk.

Market Risk Function has been partially set up with current responsibility of performing basic market risk measurement, monitoring and control functions. However, to give it a formal structure, the Bank has appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Bank's trading book includes equity securities classified as 'Held for Trading'. These positions are actively managed by the capital market desk. Bank's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available for sale securities
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) Investments in bonds, debentures, etc

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

#### Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills) and other money market investments are subject to interest rate risk. To capture the risk associated with these securities extensive modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Equity Position Risk – Banking Book

The Bank's portfolio of equity securities categorized under 'Available for Sale' and 'Strategic Investments' are parked in the banking book. These investments expose the Bank to equity price risk.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits).

#### Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Bank's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.



#### 42.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Our FX Risk is first controlled through substantially matched funding policy. On the mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of net foreign currency exposure is in US Dollars. The Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

December 31, 2008				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Pakistani Rupee	358,868,096	324,577,931	(12,072,386)	22,217,779
United States Dollar	7,002,496	16,854,494	9,930,518	78,520
Great Britain Pound	175,994	1,356,917	1,185,627	4,704
Japanese Yen	9	861	-	(852)
Euro	574,739	1,530,503	958,568	2,804
Other Currencies	58,858	3,872	(2,327)	52,659
	7,812,096	19,746,647	12,072,386	137,835
	366,680,192	344,324,578	-	22,355,614

December 31, 2007				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Pakistani Rupee	312,239,093	286,223,313	(6,234,724)	19,781,056
United States Dollar	7,308,529	11,721,695	4,420,146	6,980
Great Britain Pound	195,844	1,429,445	1,215,538	(18,063)
Japanese Yen	757	96	-	661
Euro	253,484	855,939	601,343	(1,112)
Other Currencies	112,016	993	(2,303)	108,720
	7,870,630	14,008,168	6,234,724	97,186
	320,109,723	300,231,481	-	19,878,242

#### 42.2.3 Equity Position Risk

The Board with the recommendations of ALCO approves exposure limits applicable to investments in Trading Book. Equity securities are perpetual assets and are classified under either Held for Trading Portfolio or Available for Sale Portfolio.

##### Concentration Risk

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits set by ALCO. Limit monitoring is done on a daily basis. Limit breaches if any are promptly reported to ALCO with proper reason and justification.

##### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Treasury's Capital Market Unit both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.

#### 42.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

December 31, 2008											
Effective Yield/interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Exposed to Yield/Interest risk					Non-interest bearing financial instruments	
					Over 6 Months to 1 Year	Over 1 to 2 Year	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<i>Assets</i>											
Cash and balances with treasury banks	0.90%	23,653,754	2,554,486	-	-	-	-	-	-	-	21,099,268
Balances with other banks		2,096,779	-	-	-	-	-	-	-	-	2,096,779
Lendings to financial institutions	15.57%	15,793,183	15,493,183	300,000	-	-	-	-	-	-	-
Investments	11.99%	82,631,118	36,143,536	13,856,786	15,467,803	3,995,600	493,796	1,813,744	3,754,978	2,459,513	4,645,362
Advances	12.53%	212,972,008	139,715,162	37,365,530	20,665,221	1,482,850	1,708,876	587,772	1,513,588	4,117,809	2,711,075
Other assets		16,411,293	-	-	-	-	-	-	-	-	16,411,293
		353,558,135	193,906,367	51,522,316	36,133,024	5,478,450	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075
											47,356,827
<i>Liabilities</i>											
Bills payable		2,952,490	-	-	-	-	-	-	-	-	2,952,490
Borrowings	13.91%	27,778,151	24,132,603	1,810,346	1,710,590	124,612	-	-	-	-	-
Deposits and other accounts	8.31%	297,475,321	195,418,674	16,687,651	3,763,965	3,850,000	-	-	-	-	77,755,031
Sub-ordinated loans	17.31%	2,498,000	-	-	2,498,000	-	-	-	-	-	-
Other liabilities		11,634,324	-	-	-	-	-	-	-	-	11,634,324
		342,338,286	219,551,277	18,497,997	7,972,555	3,974,612	-	-	-	-	92,341,845
<b>On-balance sheet gap</b>		11,219,849	(25,644,910)	33,024,319	28,160,469	1,503,838	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075
											(44,985,018)
<b>Off-balance sheet financial instruments</b>											
Commitments in respect of Repo Lending		-	-	-	-	-	-	-	-	-	-
Commitments in respect of CFS lending		-	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - purchase		17,083,600	-	-	-	-	-	-	-	-	17,083,600
Commitments in respect of forward exchange contracts - sale		4,831,414	-	-	-	-	-	-	-	-	4,831,414
<b>Off-balance sheet gap</b>		12,252,186	-	-	-	-	-	-	-	-	12,252,186
<b>Total Yield/Interest Risk Sensitivity Gap</b>		23,472,035	(25,644,910)	33,024,319	28,160,469	1,503,838	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		23,472,035	(25,644,910)	7,379,409	35,539,878	37,043,716	39,246,388	41,647,904	46,916,470	53,493,792	56,204,867
December 31, 2007											
Effective Yield/interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Exposed to Yield/Interest risk					Non-interest bearing financial instruments	
					Over 6 Months to 1 Year	Over 1 to 2 Year	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<i>Assets</i>											
Cash and balances with treasury banks	3.71% - 4.72%	29,739,857	620,930	-	-	-	-	-	-	-	29,118,927
Balances with other banks		668,449	-	-	-	-	-	-	-	-	668,449
Lendings to financial institutions	9.56%	18,419,241	14,354,479	4,064,762	-	-	-	-	-	-	-
Investments	8.99%	83,958,463	5,226,956	20,793,363	15,408,023	8,522,875	1,601,096	53,336	2,901,695	5,414,812	24,036,307
Advances	10.55%	168,407,280	147,644,863	6,912,889	924,744	1,801,970	1,486,396	934,062	1,153,579	3,462,196	2,848,735
Other assets		9,966,651	-	-	-	-	-	-	-	-	9,966,651
		311,159,941	167,847,228	31,771,014	16,332,767	10,324,845	3,087,492	987,398	4,055,274	8,877,008	2,848,735
											65,028,180
<i>Liabilities</i>											
Bills payable		3,494,384	-	-	-	-	-	-	-	-	3,494,384
Borrowings	8.23%	22,933,656	19,223,177	1,470,631	2,043,895	195,953	-	-	-	-	-
Deposits and other accounts	4.28%	263,972,382	177,294,854	12,619,479	3,934,715	2,381,229	-	-	-	-	67,742,105
Sub-ordinated loans	11.93%	2,499,000	-	-	2,499,000	-	-	-	-	-	-
Other liabilities		5,230,539	-	-	-	-	-	-	-	-	5,230,539
		298,129,961	196,518,031	14,090,110	8,477,610	2,577,182	-	-	-	-	76,467,028
<b>On-balance sheet gap</b>		13,029,980	(28,670,803)	17,680,904	7,855,157	7,747,663	3,087,492	987,398	4,055,274	8,877,008	2,848,735
											(11,438,848)
<b>Off-balance sheet financial instruments</b>											
Commitments in respect of Repo Lending	10.25%	1,000,000	1,000,000	-	-	-	-	-	-	-	-
Commitments in respect of CFS lending	14%	733	733	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - purchase		10,998,473	-	-	-	-	-	-	-	-	10,998,473
Commitments in respect of forward exchange contracts - sale		4,763,749	-	-	-	-	-	-	-	-	4,763,749
<b>Off-balance sheet gap</b>		7,235,457	1,000,733	-	-	-	-	-	-	-	6,234,724
<b>Total Yield/Interest Risk Sensitivity Gap</b>		20,265,437	(27,670,070)	17,680,904	7,855,157	7,747,663	3,087,492	987,398	4,055,274	8,877,008	2,848,735
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		20,265,437	(27,670,070)	(9,989,166)	(2,134,009)	5,613,654	8,701,146	9,688,544	13,743,818	22,620,826	25,469,561

**42.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities**

	December 31, 2008	December 31, 2007
	Rupees in '000	
Total financial assets as per note 42.2.4	353,558,135	311,159,941
Add Non Financial Assets		
Operating fixed assets	11,134,436	7,548,628
Deferred tax asset	1,029,223	662,431
Other assets	958,398	738,723
Total assets as per balance sheet	<u>366,680,192</u>	<u>320,109,723</u>
Total financial liabilities as per note 42.2.4	342,338,286	298,129,961
Add Non Financial Liabilities		
Other liabilities	1,986,292	2,101,520
Total liabilities as per balance sheet	<u>344,324,578</u>	<u>300,231,481</u>

**42.3 Liquidity Risk**

Liquidity risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management. The overall Bank's principle is that the ALCO has the responsibility for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

Other than customer's deposits, the Bank's funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Our MIS provides information on expected cash inflows/out flows which allow the Bank to take timely decisions based on the future requirements.

Gap analysis, stress testing and scenario analysis is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.



42.3.1.1 When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

**42.4 Operational Risk**

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes

The Bank is also in the process of developing a Business Continuity Plan applicable to all its functional areas, with assistance of a consultant.

Further the Bank has appointed a consultant to assist in implementation of Operational Risk Framework. Various policies and procedures with respect to this framework were developed in 2008, and the same are planned for approval and subsequent implementation during 2009.

Currently the Bank uses the Basic Indicator Approach for assessing its operational risk capital charge. However, migration to Standardised Approach is planned for future. For this purpose the bank is in the process of acquiring and implementing required systems and technology.

**43. RECLASSIFICATION**

Following corresponding figure has been reclassified for the purpose of better presentation.

<b>From</b>	<b>To</b>	<b>December 31, 2007 Rupees in '000</b>
Administrative expenses	Mark-up/return/interest expensed	74,006

**44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Bank in its meeting held on February 27, 2009 has proposed a cash dividend in respect of 2008 of Rs. 1.00 per share (2007: cash dividend of Rs. 1.50 per share). In addition, the Directors have also announced a bonus issue of 10% (2007: 20%). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2008 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2009.

**45. GENERAL**

45.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

**46. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 27, 2009 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Director



**Annexure I**

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

**1. DETAIL OF INVESTMENT IN SHARES - LISTED**

S. No.	Name of Company	Number of Shares	Amount in Rupees		Market Price per share
			Paid-up value per share	Total paid-up value	
1	ARIF HABIB INV. MANAGEMENT LIMITED.	628,201	10.00	6,282,010	69.98
2	ASKARI BANK LIMITED	500,000	10.00	5,000,000	14.57
3	BAWANY SUGAR MILLS LIMITED	5,400	10.00	54,000	3.39
4	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	842,050	10.00	8,420,500	17.03
5	DADABHOY LEASING.	47,300	10.00	473,000	-
6	DADABHOY MODARABA	567,500	10.00	5,675,000	-
7	DADABHOY CEMENT INDUSTRIES	1,500	10.00	15,000	2
8	ENGRO CHEMICAL PAKISTAN LIMITED.	769,098	10.00	7,690,980	96.46
9	ENGRO POLYMERS & CHEMICALS LIMITED	3,106,567	10.00	31,065,670	14.58
10	EYE TELEVISION NETWORK LIMITED.	1,806,000	10.00	18,060,000	34.25
11	FAUJI FERTILIZER BIN QASIM LIMITED	6,633,500	10.00	66,335,000	12.9
12	FAUJI FERTILIZER COMPANY	8,298,100	10.00	82,981,000	58.73
13	FIRST CREDIT & INVESTMENT BANK LIMITED	4,610,400	10.00	46,104,000	2.99
14	HUB POWER COMPANY LIMITED.	37,667,500	10.00	376,675,000	14.09
15	ICI PAKISTAN LIMITED	694,600	10.00	6,946,000	68.71
16	IGI INSURANCE LIMITED.	114,000	10.00	1,140,000	115.27
17	IGI INVESTMENT BANK LIMITED	190	10.00	1,900	3.15
18	KAISER ARTS & CRAFT LIMITED	766,500	10.00	7,665,000	-
19	LUCKY CEMENT LIMITED.	800,000	10.00	8,000,000	31.27
20	MCB BANK LIMITED	4,610,145	10.00	46,101,450	125.81
21	MEEZAN BANK LIMITED	1,568,509	10.00	15,685,090	21.48
22	MOHIB EXPORT LIMITED.	21,275	10.00	212,750	-
23	MY BANK LIMITED	809,500	10.00	8,095,000	11.6
24	NATIONAL BANK OF PAKISTAN	1,272,000	10.00	12,720,000	50.32
25	OIL & GAS DEVELOPMENT COMPANY LIMITED.	9,627,300	10.00	96,273,000	49.99
26	PACE PAKISTAN LIMITED.	3,264,000	10.00	32,640,000	8.64
27	PACKAGES LIMITED	153,500	10.00	1,535,000	81.19
28	PAK OMAN ADVANTAGE FUND	96,000	10.00	960,000	7.52
29	PAKISTAN OILFIELD LIMITED.	900,360	10.00	9,003,600	102.49
30	PAKISTAN PETROLEUM LIMITED.	1,430,000	10.00	14,300,000	100.62
31	PAKSITAN TELECOMMUNICATIONS COMPANY LIMITED	6,203,400	10.00	62,034,000	16.89
32	PICIC GROWTH MUTUAL FUND	3,289,100	10.00	32,891,000	5.59
33	PICIC GROWTH FUND	63,400	10.00	634,000	5.59
34	REDCO TEXTILE MILLS LIMITED.	300	10.00	3,000	-
35	S.G.FIBERS LIMITED.	788,800	10.00	7,888,000	-
36	SAFA TEXTILE MILLS LIMITED.	860,200	10.00	8,602,000	-
37	SONERI BANK LIMITED	160,000	10.00	1,600,000	11
38	TRG PAKISTAN LIMITED	3,894,500	10.00	38,945,000	1.78
39	UBL CAPITAL PROTECTED FUND	7,500,000	10.00	75,000,000	10
40	UNITED BANK LIMITED	3,420,200	10.00	34,202,000	36.91
41	WORLD CALL TELECOM	469	10.00	4,690	2.97

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

### 2. DETAIL OF INVESTMENT IN SHARES - UNLISTED

Amount in Rupees

S. No.	Name of Company	Percentage of Holding	No. of Shares	Paid-up Value per share	Total Paid-up Value	Break-up Value per share	Total Book Value December 31, 2008	Break-up Value as per Audited Accounts	Name of Chief Executive / Managing Agent
1	ABL ASSET MANAGEMENT COMPANY	100%	50,000,000	10	500,000,000	7.61	500,000,000	31-Dec-2008	Mr. Anis-ur-Rahman
2	AL-AMIN TEXTILE MILLS LIMITED	-	13,100	10	131,000	N/A	1	N/A	Mr. Suleman Haji Allah Bux
3	ARABIAN SEA COUNTRY CLUB LIMITED	6.45%	500,000	10	5,000,000	7.85	5,000,000	30-Jun-2008	Mr. Arif Khan Abbasi
4	ATLAS POWER LIMITED.	10%	31,500,000	10	315,000,000	8.91	315,000,000	30-Jun-2008	Mr. Maqsood A. Basraa
5	ATTOCK TEXTILE MILLS LIMITED	-	55,500	10	555,000	N/A	505,500	N/A	Mrs. Fareeda Khanum
6	BANKERS EQUITY LIMITED	-	807,699	10	8,078,990	N/A	1	N/A	Under Liquidation
7	EASTERN CAPITAL LIMITED	16.13%	500,000	10	5,000,000	13.05	5,000,000	30-Jun-2007	Mr. Munir M. Ladha
8	EQUITY PARTICIPATION FUND	0.97%	15,000	100	1,500,000	765.14	1,500,000	30-Jun-2008	Mr. Jamal Nasim
9	FIRST WOMEN BANK LIMITED	8.97%	2,544,000	10	25,440,000	36.25	21,200,000	31-Dec-2007	Ms. Zarine Aziz
10	HABIB ALLIED INTERNATIONAL BANK INVESTMENT CORPORATION OF PAKISTAN (MERGED WITH IDBP)	9.50%	2,375,000	114	270,750,000	178.40	214,769,350	30-Jun-2008	Mr. Zakir Mahmood
11	KATEX MILLS LIMITED	-	151,100	10	1,511,000	N/A	1,511,000	N/A	Mr. Abdul Latif Uqaili
12	KHUSHHALI BANK LIMITED.	11.73%	200,000,000	10	2,000,000,000	11.00	200,000,000	31-Dec-2007	Col. Muhammad Yaqub (Rtd)
13	KOHINOR LOOMS TD	-	21,000	10	210,000	N/A	1	N/A	Mr. M. Ghalib Nishtar
14	NATIONAL WOOLEN MILLS	-	6,900	10	69,000	N/A	51,900	N/A	De-listed
15	NIFT	6.10%	662,584	10	6,625,840	46.73	1,526,505	30-Jun-2008	Haji Sher Shah
16	NISHAT CHUNIAN POWER LIMITED	10%	8,810,711	10	88,107,105	34.58	88,107,110	30-Jun-2008	Mr. Farrukh Afzal
17	NISHAT POWER LIMITED.	10%	12,125,000	10	121,250,000	10.18	121,250,000	30-Sep-2008	Mr. Mian Hassan Mansha
18	PASSCO	3.33%	1,000	1,000	1,000,000	35,643.23	1,000,000	31-Mar-2008	Maj. Gen. Ahmed Nawaz Saleem Mela
19	RUBY RICE & GEN MILLS	-	14,500	10	145,000	N/A	104,500	N/A	Mr. Mehboob Ali
20	SME BANK LIMITED.	0.24%	580,778	10	5,807,780	12.08	5,250,000	31-Dec-2007	Mr. Mansur Khan
21	SWIFT	-	-	10	-	-	1,769,508	-	-

### 3. DETAIL OF INVESTMENT IN BONDS

Government Guaranteed / Foreign Currency

Amount in Rupees

S. No.	Name of Bond	Balance as on December 31, 2008	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period
1	<b>US \$ Bonds</b> KH 000019 (\$ 695,880) KH 000020(\$ 695,880) KH 000039 (\$ 174,070) KH 000040 (\$ 174,070)	55,100,544 55,100,544 13,783,054 13,783,054	3 M LIBOR+1 3 M LIBOR+1 3 M LIBOR+1 3 M LIBOR+1	1-Jul-90 1-Jul-90 1-Jul-90 1-Jul-90	1-Jul-09 1-Jul-10 1-Jul-09 1-Jul-10	01-Jul-09 01-Jul-09 01-Jul-09 01-Jul-09	19- YEARS 20-YEARS 19- YEARS 20-YEARS
2	<b>GOVT BOND</b> HEAVY MECHANICAL COMPLEX PUBLIC SECTOR ENTERPRISE PUBLIC SECTOR ENTERPRISE	11,650,000 280,117,000 118,513,000	6.0% 6.0% 9.0%	01-Mar-89 01-Jun-89 01-Jul-90	01-Mar-09 01-Jun-09 01-Jul-10	01-Mar-09 01-Jun-09 01-Jul-09	20-YEARS 20-YEARS 20-YEARS

### 4. DETAIL OF INVESTMENT IN BONDS/OTHERS/SUKUK BONDS

Amount in Rupees

S. No.	Name of Bond	Balance as on December 31, 2008	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Terms of Redumption
1	DAWOOD HERCULES	1,000,000,000	6MK+1.2%	18-Sep-07	18-Sep-12	18-Mar-09	Half Yearly
2	SECURITY LEASING CORPORATION LIMITED	236,250,000	6 MK+2%	6-Jan-07	31-May-12	31-May-09	Half Yearly
3	CENTURY PAPER & BOARD MILLS LIMITED	1,150,000,000	Last 5 Days 6 Month avg K+1.35%	25-Sep-07	24-Sep-14	25-Mar-09	Half Yearly
4	K.S. SULEMANJI ESMAILJI & SONS LIMITED	150,000,000	3 MK+1.3%	30-Jun-08	30-Jun-12	31-Mar-09	Quarterly
5	AL-ZAMIN LEASING MODARABA	195,000,000	6 MK+1.9%	12-May-08	12-May-12	12-May-09	Half Yearly
6	QUETTA TEXTILE MILLS LIMITED	50,000,000	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-09	Half Yearly
7	SHAHRAJ FABRICS PVT LIMITED	200,000,000	6 MK +2.10	8-Mar-08	8-Mar-13	8-Mar-09	Half Yearly
8	MAPLE LEAF CEMENT	3,190,000,000	6 MK + 1.70	3-Dec-07	3-Dec-14	3-Jun-09	Half Yearly
9	GOVT OF PAKISTA-IJARA SUKUK	100,000,000	13.1376%	26-Sep-08	26-Sep-11	26-Mar-09	Half Yearly

**Annexure I**

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

**5. DETAIL OF INVESTMENT IN TFCs - LISTED****Amount in Rupees**

S. No.	Name of Company	No. of Certificates	Paid-up value per Certificate	Total paid-up value
1	STANDARD CHARTERED BANK LIMITED	10,000	5,000	50,000,000
2	ROYAL BANK OF SCOTLAND/ ABN AMRO BANK LIMITED	7,000	5,000	35,000,000
3	UNITED BANK LIMITED-3RD ISSUE	10,000	5,000	50,000,000
4	UNITED BANK LIMITED -4TH ISSUE	37,000	5,000	185,000,000
5	SEARLE PAKISTAN LIMITED	10,000	5,000	50,000,000
6	NIB BANK LIMITED	76,789	5,000	383,945,000
7	UNITED BANK LIMITED-PPTFC	122,558	5,000	612,790,000
8	TELECARD LIMITED	75,888	5,000	379,440,000
9	PAKARAB FERTILIZERS LIMITED	84,080	5,000	420,400,000
10	AZGARD NINE LIMITED	1,300	5,000	6,500,000
11	ESCORT INVESTMENT BANK LIMITED	20,000	5,000	100,000,000
12	FINANCIAL RECEIVABLE SECURITIZATION COMPANY LIMITED	21,000	5,000	105,000,000

**6. DETAIL OF INVESTMENT IN TFCs - UNLISTED****Amount in Rupees**

S. No.	Name of Company	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Outstanding Principal December 31, 2008
1	ORIX LEASING PAKISTAN LIMITED	23,000	100,000	2,300,000,000	Mr. Humayun Murad	2,300,000,000
2	DEWAN FAROOQUE SPINNING MILLS LIMITED	25,000	5,000	125,000,000	Mr. Dewan Muhammad Yousuf Farooqui (Chairman); Mr. Dewan Abdul Baqi Farooqui (Chief Executive)	46,875,000
3	BOSICOR PAKISTAN LIMITED	10,000	5,000	50,000,000	Mr. Aamir Abbassi	14,285,715
4	AL-ABBAS SUGAR INDUSTRIES	25,000	5,000	125,000,000	Mr. Shunaid Qureshi	124,950,000
5	AL-ABBAS HOLDING (PVT) LIMITED	5,750	100,000	575,000,000	Mr. Shunaid Qureshi	575,000,000
6	GHANI HOLDING (PVT) LIMITED	5,750	100,000	575,000,000	Mr. Shunaid Qureshi	575,000,000
7	NEW ALLIED ELECTRONICS INDUSTRIES	10,000	5,000	50,000,000	Mian Pervaiz Akhtar	50,000,000
8	IESCO	400	10,000,000	4,000,000,000	Mr. Raja Abdul Ghafoor	4,000,000,000
9	LESCO	400	10,000,000	4,000,000,000	Mr. Sallahuddin	4,000,000,000
10	JAVEDAN CEMENT LIMITED	2,500	100,000	250,000,000	Mr. Shunaid Qureshi	250,000,000
11	GRAYS LEASING	15,500	5,000	100,000,000	Mr. Abdul Rashid Mir	77,500,000
12	RAI TEXTILE MILLS LIMITED	6	391,687	2,350,122	Mr. Javed Ahmad Kayani	139,193
13	ARUJ TEXTILE MILLS LIMITED	5	654,970	3,274,850	Sheikh Muhammad Tahir	973,034
14	BLUE STAR SPINNING MILLS LIMITED	1	165,291	165,291	Ch.Sardar Mohammad	1,726,000
		1	270,681	270,681		
		1	263,639	263,639		
		1	251,937	251,937		
		1	244,584	244,584		
		1	233,192	233,192		
		1	225,529	225,529		
		1	214,966	214,966		
		1	206,474	206,474		
		1	195,704	195,704		
		1	187,419	187,419		
		1	176,954	176,954		
		1	168,364	168,364		
		1	158,215	158,215		
		1	149,309	149,309		
		1	139,574	139,574		
		1	130,254	130,254		
15	BENTONITE LIMITED	13	107,610	1,398,930	Mr. Khalid Shakeel	1,360,000
		1	107,619	107,619		
		1	470,440	470,440		
		15	20,100	301,500		
		1	20,680	20,680		
16	SHAH JEWANA TEXTILE MILLS LIMITED	13	40,010	520,130	Mrs.Shahida FaisalSaleh Hyat	118,139
		1	40,069	40,069		
		11	120,090	1,320,990		
		1	120,127	120,127		
17	FARUKI PULP MILLS LIMITED	13	1,050,900	13,661,700	Mr. Salim Akbar Faruki	7,020,000
		1	1,050,993	1,050,993		

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

S.No.	Name of Company	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Amount in Rupees
						Outstanding Principal December 31, 2008
18	CHOUDHRY WIRE ROPE INDUSTRIES	13	217,000	2,821,000	Ch. Muhammad Akram	620,834
		1	228,902	228,902		
19	LARR SUGAR MILLS LIMITED	23	476,315	10,955,245	Mr. Abdul Rauf	1,798,104
		1	476,320	476,320		
		23	200,759	4,617,457		
		1	200,758	200,758		
		13	207,774	2,701,062		
		1	207,775	207,775		
		13	601,916	7,824,908		
20	SADHUJA TEXTILE MILLS LIMITED	1	601,918	601,918	Mr. Ali Asghar	916,109
		1	137,946	137,946		
		3	278,924	836,772		
		2	274,376	548,752		
		1	2,790,892	2,790,892		
21	TANOCRAFT LIMITED	15	59,500	892,500	Mr. Kanwer Furqan Ali	144,674
		1	60,942	60,942		
		5	69,900	349,500		
		1	70,385	70,385		
22	KHAIRPUR SUGAR MILLS LIMITED	13	55,536	721,968	Muhammad Mubeen Jumani	1,248,000
		1	55,538	55,538		
		5	337,000	1,685,000		
		1	337,077	337,077		
23	BACHANI SUGAR MILLS LIMITED	23	135,227	3,110,221	Mr. Najmuddin Ansari	12,667,000
		1	135,236	135,236		
		14	1,526,874	21,376,236		
		13	655,656	8,523,528		
24	FRONTIER CERAMICS	1	655,657	655,657	Mr. Shamsul Hassan	2,478,849
		15	117,000	1,755,000		
		1	118,846	118,846		
		13	224,000	2,912,000		
		1	217,221	217,221		
		13	113,000	1,469,000		
		1	113,960	113,960		

### 7. DETAIL OF INVESTMENT IN PTC

S.No.	Name of Borrower	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Amount in Rupees
						Outstanding Principal December 31, 2008
1	CRYSTAL CHEMICALS	1	59,000	59,000	Mr. Maqsood A Shaikh	1,559,000
2	MAS DAIRIES LIMITED.	13	62,000	806,000	Mian Nisar Akhtar	1,009,000
		1	50,000	50,000		
3	PANGRIO SUGAR MILLS LIMITED	9	51,000	459,000	Mr. Sajid Hussain Naqvi	3,067,621
		15	236,000	3,540,000		
		1	240,000	240,000		
		1	168,000	168,000		
		13	169,000	2,197,000		

### 8. DETAIL OF INVESTMENT IN DEBENTURES - UNLISTED

Name of the Company	Terms of Redemption		Rate of Interest	Outstanding Principal
	Principal	Interest		
<b>PUBLIC SECTOR</b>				
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	500,000
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	459,000
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	56,000
KARACHI DEVELOPMENT AUTHORITY	Overdue	Overdue	12.00%	62,355,000
<b>PRIVATE SECTOR</b>				
EFFEF INDUSTRIES	Overdue	Overdue	14.00%	109,108

**Annexure I**

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

**9. DETAIL OF INVESTMENT IN OPEN ENDED MUTUAL FUNDS**

Amount in Rupees

S. No.	Name of Company	No. of Units	Paid-up Value Per Unit	Total Paid-up Value	Total Book Value December 31, 2008	Market Price Per Unit Dec. 31, 2008
1	ABL INCOME FUND	75,000,000	10	750,000,000	750,000,000	10.00
2	ATLAS ISLAMIC FUND	10,483	500	5,241,500	5,000,000	259.38
3	AKD OPPORTUNITY FUND	736,234	50	36,811,700	40,000,000	29.50
4	AMZ PLUS INCOME FUND	2,367,805	100	236,780,500	250,000,009	92.57
5	AMZ PLUS STOCK FUND	265,000	100	26,500,000	25,000,000	58.47
6	BMA CHUNDRIGAR ROAD SAVING FUND	20,291,772	10	202,917,720	193,887,971	9.68
7	HBL INCOME FUND	7,858,840	100	785,884,000	750,000,000	95.13
8	HBL STOCK FUND	200,000	100	20,000,000	20,000,000	60.13
9	JS AGGRESSIVE INCOME FUND	1,015	100	101,500	-	99.69
10	JS INCOME FUND	11,903,581	100	1,190,358,100	1,200,000,000	100.81
11	KASB BALANCED FUND	500,000	50	25,000,000	25,000,000	35.86
12	KASB LIQUID FUND	7,915,045	100	791,504,500	750,000,000	90.40
13	MCB DYNAMIC CASH FUND	20,276,840	100	2,027,684,000	2,000,000,000	98.67
14	NAFA CASH FUND	234,984,491	10	2,349,844,910	2,250,000,000	9.59
15	NATIONAL INVESTMENT TRUST	73,991	10	739,910	2,260,835	23.35
16	UNITED GROWTH & INCOME FUND	47,069,997	100	4,706,999,700	4,500,000,000	95.67
17	<b>Pre IPO INVESTMENT</b> DAWOOD FAMILY TAKAFUL LIMITED	3,500,000	10	35,000,000	35,000,000	N/A

**10. DETAIL OF INVESTMENT IN PREFERENCE SHARES**

Amount in Rupees

S. No.	Name of Company	Percentage of Holding	No. of Shares	Paid-up Value per Share	Total Paid-up Value	Break-up Value per Share	Total Book Value - December 31, 2008	Break-up value as per Audited Accounts	Name of Chief Executive/ Managing Agent	Terms of Redemption
1	MASSOD TEXTILE MILLS LIMITED	19%	17,500,000	10	175,000,000	10	175,000,000	30-Jun-2006	Mr. Shahid Nazeer	Can convert 1/3 of PS alongwith dividend in ordinary shares after expiry of 4 years at a discount of 15%
2	FAZAL CLOTH MILLS LIMITED	30%	7,500,000	10	75,000,000	10	75,000,000	-	Sheikh Naseem Ahmad	ABL's stake in the preference share for Rs.75M to be redeemed within 60 days after completion of 5 years from the date of Issue.



# Annexure I

As referred to in notes 9.2.4 and 9.4 to the unconsolidated financial statements

## 11. QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in 000

S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Rating	Market Value/ Book value	Rating
<b>GOVERNMENT SECURITIES</b>					
1	MARKET TREASURY BILLS	34,702,083	Un Rated	37,417,758	Un Rated
2	PAKISTAN INVESTMENT BONDS	395,018	Un Rated	243,211	Un Rated
3	GOVT. OF PAKISTAN IJARA ISSUE	100,000	Un Rated	-	**
<b>LISTED TFCs</b>					
4	ASKARI COMMERCIAL BANK LIMITED	-	**	104,736	AA-
5	AZGARD NINE LIMITED	5,469	AA-	6,500	A+
6	BANK AL FALAH LIMITED	-	**	104,190	AA-
7	ESCORT INVESTMENT BANK LIMITED	92,688	A+	100,000	A+
8	FRSCL-A	56,985	AA-	76,022	AA-
9	FRSCL-B	25,999	AA-	33,630	AA-
10	FAYSAL BANK LIMITED	-	**	146,705	AA-
11	PAKARAB FERTILIZERS LIMITED	364,703	AA	-	**
12	ROYAL BANK OF SCOTLAND/ ABN AMRO BANK LIMITED	31,519	AA-	36,794	A
13	SEARLE PAKISTAN LIMITED	28,498	A-	44,528	A-
14	UNION BANK / STANDARD CHARTERED LIMITED	51,931	AA	50,595	AAA
15	UNITED BANK LIMITED-3	42,162	AA	52,879	AA
16	UNITED BANK LIMITED-4	160,918	AA	-	**
<b>UNLISTED TFCs</b>					
17	ORIX LEASING PAKISTAN LIMITED	2,300,000	AA+	-	**
18	ISLAMABAD ELECTRICITY SUPPLY COOPERATION	4,000,000	**	-	**
19	JAVEDAN CEMENT LIMITED	250,000	**	-	**
20	GRAYS LEASING	77,500	**	-	**
<b>SHARES UNLISTED</b>					
21	*ARABIAN SEA COUNTRY CLUB LIMITED	5,000	**	5,000	**
22	ATTOCK TEXTILE MILLS LIMITED	506	**	-	**
23	*ATLAS POWER LIMITED	280,856	**	-	**
24	*EASTERN CAPITAL LIMITED	5,000	**	5,000	**
25	*EQUITY PARTICIPATION FUND	1,500	**	8,256	**
26	*FIRST WOMEN BANK LIMITED	21,200	BBB+&A2	21,200	BBB+&A2
27	*HABIB ALLIED INTERNATIONAL BANK LIMITED	214,769	**	214,769	**
28	*ICP (MERGED WITH IDBP)	9,130	**	1,000	**
29	KATEX MILLS LIMITED	1,511	**	-	**
30	*KHUSHHALI BANK LIMITED	200,000	A-&A1	200,000	**
31	NATIONAL WOOLEN MILLS	52	**	-	**
32	*NIFT	1,527	**	35,896	**
33	*NISHAT CHUNIAN POWER LIMITED	88,107	**	-	**
34	*NISHAT POWER LIMITED	121,250	**	-	**
35	*PASSCO	1,000	**	(661)	**
36	RUBY RICE & GEN MILLS	105	**	-	**
37	*SME BANK LIMITED	5,250	BBB&A3	5,250	**
38	SWIFT	1,770	**	1,770	**
<b>SHARES LISTED</b>					
39	ARIF HABIB INV. MANAGEMENT LIMITED	43,962	AM2	-	**
40	ASKARI BANK LIMITED	7,285	AA&A1+	-	**
41	BAWANY SUGAR MILLS LIMITED	18	**	-	**
42	CRESCENT STEEL & ALLIED PRODUCTS	14,340	A+&A1	-	**
43	DADABHOY LEASING	-	**	66	**
44	DADABHOY MODARABA	5,025	**	511	**
45	DADABHOY CEMENT INDUSTRIES	3	**	-	**
46	ENGRO CHEMICAL PAKISTAN LIMITED	74,187	AA&A1+	19,931	AA&A1+
47	ENGRO POLYMERS & CHEMICALS LIMITED	45,294	**	-	**
48	EYE TELEVISION NETWORK LIMITED	61,856	**	-	**
49	FAUJI FERTILIZER BIN QASIM	85,572	**	251,249	**
50	*FAUJI FERTILIZER COMPANY LIMITED	487,347	**	118,750	**
51	FIRST CREDIT & INVESTMENT BANK LIMITED	13,785	A-&A2	-	**
52	*HUB POWER COMPANY LIMITED	439,150	**	285,785	**
53	HUB POWER COMPANY LIMITED	91,585	**	-	**
54	ICI PAKISTAN LIMITED	47,726	**	-	**
55	IGI INSURANCE LIMITED	13,141	IFS AA	-	**

## Annexure I

As referred to in notes 9.2.5 and 9.4 to the unconsolidated financial statements

Rupees in 000

S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Rating	Market Value/ Book value	Rating
56	IGI INVESTMENT BANK LIMITED	1	A&A1	-	**
57	KAISER ARTS & CRAFT LIMITED	-	**	422	**
58	LUCKY CEMENT LIMITED	25,016	**	23,300	**
59	MCB BANK LIMITED	580,002	AA+&A1+	-	**
60	MEEZAN BANK LIMITED	33,692	A+&A1	21,175	A+&A-1
61	MOHIB EXPORT LIMITED	-	**	3	**
62	MY BANK LIMITED	9,390	A&A1	11,975	A&A1
63	NATIONAL BANK OF PAKISTAN	64,007	AAA&A1+	69,645	AAA&A1+
64	NISHAT MILLS LIMITED	-	**	54,683	A+&A1
65	*OIL & GAS DEVELOPMENT COMPANY LIMITED	417,281	AAA&A1+	-	**
66	OIL & GAS DEVELOPMENT COMPANY LIMITED	63,987	AAA&A1+	104,722	AAA&A1+
67	PACE PAKISTAN LIMITED	28,201	A+&A1	40,205	A+&A1
68	PACKAGES LIMITED	12,463	AA&A1+	-	**
69	PAK OMAN ADVANTAGE FUND	722	FS AA-(f)	792	AA-
70	PAKISTAN OILFIELD LIMITED	92,278	**	192,280	**
71	PAKISTAN PETROLEUM LIMITED	143,887	**	79,641	**
72	PAKISTAN STATE OIL	-	**	10,165	AAA&A1+
73	PAKISTAN TELECOMMUNICATIONS	104,775	**	35,743	**
74	PICIC GROWTH MUTUAL FUND	18,386	**	89,846	**
75	REDCO TEXTILE MILLS LIMITED	3	**	1	**
76	PICIC GROWTH FUND	354	**	-	**
77	SONERI BANK LIMITED	1,760	AA-&A1+	-	**
78	S.G.FIBERS LIMITED	45,908	**	41,254	**
79	SAFA TEXTILE MILLS LIMITED	8,602	**	5,293	**
80	TRG PAKISTAN LIMITED	6,932	BBB+&A2	30,723	BBB+&A2
81	UBL CAPITAL PROTECTED FUND	75,000	**	-	**
82	UNITED BANK LIMITED	126,240	AA+&A1+	-	**
83	WORLD CALL TELECOM LIMITED	1	A+&A1	8	A+&A1
<b>PREFERENCE SHARES</b>					
84	FAZAL CLOTH MILLS LIMITED	75,000	**	75,000	**
85	MASOOD TEXTILE LIMITED	175,000	**	200,000	**
<b>INVESTMENT IN MUTUAL FUND</b>					
86	ABL INCOME FUND	750,000	FS-A(F)	-	**
87	AKD INCOME FUND	-	**	501,926	FS-A(F)
88	AKD OPPORTUNITY FUND	21,719	**	40,606	**
89	ALFALAH GHP INCOME MULTIPLIER FUND	-	**	401,377	MFR-5-Star
90	AMZ PLUS INCOME FUND	219,188	BBB+(F)	752,532	**
91	AMZ PLUS STOCK FUND	15,493	MFR-3-Star	28,326	**
92	ASKARI INCOME FUND	-	**	1,201,478	**
93	ATLAS INCOME FUND	-	**	501,403	MFR-5-Star
94	ATLAS ISLAMIC FUND	2,719	**	5,306	**
95	BMA CHUNDRIGAR ROAD SAVING FUND	196,455	FS-A(F)	204,700	**
96	DAWOOD MONEY MARKET FUND	-	**	501,209	MFR-5-Star
97	FAYSAL SAVING & GROWTH FUND	-	**	400,782	**
98	FIRST HABIB INCOME FUND	-	**	200,709	**
99	HBL INCOME FUND	747,611	**	1,503,716	**
100	HBL STOCK FUND	12,026	**	20,480	**
101	IGI INCOME FUND	-	**	300,343	**
102	JS AGGRESSIVE INCOME FUND	101	**	-	**
103	JS INCOME FUND	1,200,000	MFR-5-Star	1,203,373	**
104	KASB BALANCED FUND	17,930	**	-	**
105	KASB LIQUID FUND	715,520	MFR-5-Star	1,002,835	**
106	KASB-FUND	-	**	25,000	**
107	MCB DYNAMIC CASH FUND	2,000,716	**	2,005,996	**
108	MEEZAN ISLAMIC INCOME FUND	-	**	-	**
109	NAFA CASH FUND	2,253,501	FS-A(F)	2,509,203	FS-A(F)
110	NATIONAL INVESTMENT TRUST	1,728	MFR-5-Star	4,428	MFR-4-Star
111	PAK INT. ELEMENT ISLAMIC FUND	-	**	81,825	**
112	PAKISTAN CAPITAL MARKET FUND	-	**	-	**
113	PAKISTAN INCOME FUND	-	**	1,254,106	MFR-4-Star
114	RELIANCE INCOME FUND	-	**	-	**
115	UNITED COMPOSITE ISLAMIC FUND	-	**	29,536	**
116	UNITED GROWTH & INCOME FUND	4,503,187	FS-A(F)	4,513,818	FS-A(F)

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

Rupees in 000					
S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Credit Rating	Market Value/ Book value	Credit Rating
117	UNITED MONEY MARKET FUND	-	**	500,393	MFR-4Star
	<b>PRE IPO INVESTMENT</b>				
118	FINANCIAL RECEIVABLES & SECURITIZATION COMPANY LIMITED	-	**	-	**
119	GRAY LEASING	-	**	100,000	**
120	UNITED BANK LIMITED	-	**	800,000	AA
121	NIB BANK LIMITED	-	**	150,000	**
122	TREASURY SHARES	-	**	584,900	**
123	PAK ARAB FERTILIZERS LIMITED	-	**	880,000	**
	<b>SUKUK BONDS</b>				
124	SECURITY LEASING CORPORATION	236,250	**	270,000	**
125	CENTURY PAPER & BOARD MILLS LIMITED	1,150,000	**	1,150,000	**
126	DAWOOD HERCULES	1,000,000	**	1,000,000	**
127	K.S.SULEMANJI ESMAILJI & SONS	150,000	**	-	**
128	QUETTA TEXTILE MILLS LIMITED	50,000	**	-	**

\* Strategic Investments of the Bank

\*\* Ratings are not available

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

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## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008

S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
				Principal	Interest / Mark-up	Other	Total				
											5
1	2	3	4	5	6	7	8	9	10	11	12
1	AGRICULTURE INTERNATIONAL (PVT) LTD. AGRICULTURE HOUSE, NEW SUBZI MANDI, HOUSE #903, MEHMOODABAD COLONY, KHANEWAL ROAD, MULTAN.	CH. MUKHTAR AHMED MUHAMMAD ANWAR SAQIB SHEIKH RASHID TANVEER CAPT® KHALID BUTT (Deed) CH. ALLAH MEHR RANA MUHAMMAD SALEEM		1.162	0.000	1.117	2.279	1.162	0.000	1.117	2.279
2	ZAHID BROTHERS, MAIN ROAD UBAURO, DISTT:GHOTKI.	ZAHID PERVAIZ	MUHAMMAD HANIF	2.198	0.000	0.851	3.049	1.099	0.000	0.851	1.950
3	OKARA TEXTILE MILLS LTD. 1-A, ROSE LANE, SAREFAZ RAFIQUE, LAHORE CANTT.	JAWED ZIA GHULAM RASOOL MRS. AMBER JAWED MRS. SALMAN JAWED ZIA MRS. KAUSAR JAWED MUHAMMAD ZAFAR INAM UMAR JAWED	MIAN ZIAUDDIN AHMED X X D/O JAWED AHMED ZIA W/O JAWED AHMED ZIA QAZI NAMULLAH JAWED AHMED ZIA	0.289	0.000	15.161	15.450	0.289	0.000	15.161	15.450
4	ALI MUHAMMAD HASHIM 1726, 1548, KACHI MUSLIM COLONY, KARACHI	ALI MUHAMMAD HASHIM		0.075	0.000	0.630	0.705	0.075	0.000	0.630	0.705
5	AL-MUSTA TRADING CORPORATION 147/5 SECTOR 5-D, NEW KARACHI.	MUSTAQUEEM ALI		1.211	0.000	1.843	3.054	1.211	0.000	1.843	3.054
6	PAKISTAN POLYPROPYLENE PACKAGES LTD. C-1, SULTAN CENTRE, WEST WHARF ROAD, KARACHI.	MR. IKRAM SULTAN, MR. AMIN A SULTAN MR. AZAM KHAN MR. SAIEDULLAH JAN MRS. UZMA A SULTAN MRS. ASMA A SULTAN MRS. KISHWAR KAWAL		0.205	0.000	3.995	4.200	0.011	0.000	3.995	4.006
7	HILTON HOUSE, KAGHAN ROAD, F - 8 MARKAZ, ISLAMABAD.	MRS. SALMA MEHMOOD		0.205	0.000	0.317	0.522	0.205	0.000	0.317	0.522
8	PAK AGRICULTURAL CORPORATION SUBZI MANDI ROAD, MULTAN.	RANA MUHAMMAD SALEEM RANA MUHAMMAD ASLAM	RAFUDDIN RAFUDDIN	3.605	0.000	3.018	6.623	3.605	0.000	3.018	6.623
9	INTERNATIONAL TRACTORS (PVT) LTD. PLOT #27, SECTOR 15, KARACHI.	TARIQUE ABBAS NIAZI ASAD ABBAS NIAZI ASFAND ABBAS NIAZI USAMA ABBAS NIAZI MRS. HAMIDA NIAZI	LUTFULLAH NIAZI LUTFULLAH NIAZI TARIQ ABBAS KHAN NIAZI LUTFULLAH NIAZI ASAD ALAM NIAZI	10.815	0.000	1.218	12.033	2.765	0.000	1.218	3.983

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008											
S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Rupees in Million			
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3	4	5	6	7	8	9	10	11	12
10	DENNAMAN FABRICS LIMITED, 10th FLOOR, LAKSON SQUARE BUILDING No:1 265, R.A.LANE, SARWAR SHAHEED ROAD, KARACHI.	N/A N/A SLAMKAN HUSSAIN MUGHAL MUHAMMAD HASEEB KHAN MRS.AYESHA HUSSAIN MRS.SUMAYRA MUZAFFAR HUSSAIN IMRAN HUSSAIN	N/A	82.990	0.000	36.487	119.477	82.990	0.000	36.487	119.477
11	DIGRI SUGAR MILLS LIMITED OFFICE: 48-7/L, BLOCK-6, PECHS, KARACHI. MILL AT: TALUKA DIGRI DISTT: MIRPURKHAS, SINDH	NAVEED MUHAMMAD JAVERI MUSTAPHA FARABI JAVERI Ms.ZEHRA JAVERI MRS. HILLA JAVERI MRS. AYESHA JAVERI MRS. AMBER GHANI ADIL QADEER JAFFER	42201-4892360-5 42201-9407234-3 42201-7345590-2 42301-5503243-0 42201-4784876-8 514-88-121096 517-90-255959	38.579	0.000	15.583	54.162	4.784	0.000	15.583	20.367
12	BLUE STAR TEXTILE MILLS LTD. MOUZA GHANI PUR, BYE PASS ROAD, BAHAWARPUR.	CH SARDAR MUHAMMAD CH MUHAMMAD ZAMEER CH MUHAMMAD SIDDIQUE CH CHULAM FAREED MST. NASEEM FAREED MST. YASMEEN SIDDIQUE CH MANZOOR AHMED	344-88-195446 N/A 344-85-239339 323-91-759140 323-91-759141 323-91-759135 344-90-267810	9.923	0.000	14.555	24.478	7.423	0.000	14.555	21.978
13	ZULFIQAR FERTILIZER AGENCY MAIN ROAD, UBUARO, DISTT: GHOTKI	MUHAMMAD TARIQ	45415-6066139-5	1.010	0.000	0.323	1.333	0.475	0.000	0.323	0.798
14	IMTIAZ AHMED H-125 SECTOR 14, ORANGITOWN, KARACHI.	IMTIAZ AHMED		0.481	0.000	0.313	0.794	0.481	0.000	0.313	0.794
15	AQEEL AHMED A-702, SECTOR 11-A, NORTH KARACHI.	AQEEL AHMED		0.449	0.000	0.272	0.721	0.449	0.000	0.272	0.721
16	SYED YAWAR HUSSAIN, R-1027, ANCHOLI, BLOCK-20, FEDERAL B AREA, KARACHI.	SYED YAWAR HUSSAIN		0.439	0.000	0.284	0.723	0.439	0.000	0.284	0.723
17	COMMODITY GLOBAL SERVICES (PVT) LTD. ROOM # 806 - 7 8TH FLOOR, PROGRESSIVE PLAZA BEHIND, PIDC HOUSE, KARACHI.	SHAHRIYAR AHMED Ms. AYESHA AHMED AAMIR NAZIR AHMED (CEO)	277-50-164838 277-86-368623	4.635	0.000	0.000	4.635	4.635	0.000	0.000	4.635



## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

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STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008										Rupees in Million		
S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Interest / Mark-up / Written-off	Other Financial Relief Provided	Total		
				Principal	Interest / Mark-up	Other	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
18	MIRZA SUGAR MILLS LTD. 10TH FLOOR, BLOCK B, BUILDING No:1, LAKSON SQUARE, SARWAR SHAHEED ROAD, KARACHI.	DR. (MRS). FEHMIDA MIRZA MIR GHULAM GHULAMULLAH TALPUR. ARSHAD ABID ABBASI Ms. FAREHA ABID KAZI MIR FUROQAN ALI TALPUR MIRZA SAULAT RAZA ALI JAVED JABIR ANSARI	W/O DR. ZULFIQAR ALI MIRZA MIR ALI NAWAZ TALPUR	33,000	0,000	38,748	71,748	28,000	0,000	38,748	66,748	
19	CHOTI/GHAZI TEXTILE MILLS LTD. JAMPUR ROAD, D.G. KHAN.	SARDAR M. JAFFAR LAGHARI BASHIR AHMED HAJI MUHAMMAD MUHAMMAD SALEEM AKHTAR HUSSAIN BUKSH YOUSUF KHAN LAGHARI SARDAR MUHAMMAD OMAR KHAN	SARDAR ATA M. LAGHARI MUHAMMAD ALI CHUTTA KHAN ALLAH DYANA KARIM BUKSH SARDAR M. JAMIL K LAGHARI SARDAR ATA MK LAGHARI	8,100	0,000	0,000	8,100	0,725	0,000	0,000	0,725	
20	NATIONAL WOOLEN MILLS LTD. NEAR GOMAL UNIVERSITY, D.I. KHAN.	MUZAFFAR SHAH TARIQ JAMIL JAHANZEB KHAN MRS. KHATOON BIBI HAJI SHER SHAH		0,363	0,000	3,738	4,101	0,170	0,000	3,738	3,908	
21	KHYBER TEXTILE MILLS LTD. 375, MANSRA ROAD, ABBOTTABAD.	TAJ MOHAMMAD KHANZADA FARID M. JADOON CH. ABDUL KARIM ABDUL HAMID KHAN HAJI LAL KHAN JADOON AMANULLAH KHAN JADOON ZAFAR IQBAL JADOON.		7,306	0,000	4,441	11,747	7,306	0,000	4,441	11,747	
22	TEXILA COTTON MILLS LTD. 270-SECTOR 1-9, ISLAMABAD.	MIAN MEHBOOB ELLAHI MRS. SAMINA BEGUM MAHFOOZ ELLAHI MEHMOOD ELLAHI MRS. AMNA ZAHRA ABDUL RASHEED MASOOD SAEED	MUHAMMAD HUSSAIN XXXX MEHBOOB ELLAHI MEHBOOB ELLAHI XXXX XXXX XXXX	12,328	0,000	12,909	25,237	1,102	0,000	12,909	14,011	
23	KHALID AHMED R-394, SECTOR No:15-A/3, BUFFER ZONE, KARACHI.	KHALID AHMED	ABDUL AHAD	0,389	0,000	0,251	0,640	0,389	0,000	0,251	0,640	
24	LIAQUAT ALI KHAN R-640/16, DASTAGIR SOCIETY, FEDERAL "B" AREA, KARACHI.	LIAQUAT ALI KHAN	SHAFQUAT ALI KHAN	0,406	0,000	0,265	0,671	0,406	0,000	0,265	0,671	
25	TARIQ BROTHERS MAIN ROAD UBUARO, DISTT: GHOTKI	TARIQ AZIZ	MUHAMMAD HANIF	0,700	0,000	0,323	1,023	0,468	0,000	0,324	0,792	

## Annexure II

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STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008												
S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year					Rupees in Million			
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total	
												5
1	2	3	4	5	6	7	8	9	10	11	12	
26	RAVI ENTERPRISES 833 - SHADMAN COLONY, LAHORE.	MIAN MUHAMMAD JAHANGIR	HAJI GHULAM QADIR	5.539	0.000	3.032	8.571	0.438	0.000	3.032	3.470	
27	AIMA INDUSTRIES (PVT) LTD. 118/A INDUSTRIAL ESTATE, JAMRUD ROAD, PESHAWAR	AZIZ UR REHMAN ATTA UR REHMAN FARHAT NASREEN	HAJI GUL SAEED KHAN HAJI GUL SEED KHAN W/O.AZIZ UR REHMAN	7.221	0.000	11.480	18.701	3.569	0.000	11.480	15.049	
28	MIRZA JAFFER KASHANI N-26/1 METROVILL III MIAN ABUL HUSSAN ISPAHANI RD, GULSHAN-E-IQBAL, KARACHI.	MIRZA JAFFER KASHANI	M.H.MIRZA KASHANI	0.442	0.000	0.222	0.664	0.442	0.000	0.222	0.664	
29	NAJAF A. MUGHANI A-210, SHERATON HEIGHTS ABUL HASSAN ISPAHANI RD, KARACHI.	NAJAF A. MUGHANI	ABDUL AHAD	0.430	0.000	0.218	0.648	0.430	0.000	0.218	0.648	
30	ASMA ARIF B-5, SONY APARTMENT, BLOCK A, GULSHAN-E-IQBAL, KARACHI.	ASMA ARIF	MUHAMMAD ARIF	0.490	0.000	0.235	0.725	0.490	0.000	0.235	0.725	
31	HAPPY EMBROIDERY CENTER DOGAR HOUSE, CHAK No.203, RUB MALIKPUR, FAISALABAD.	MUHAMMAD ARIF NADEEM DOGAR	ABDUL QADIR	4.310	0.000	2.059	6.369	2.059	0.000	2.059	4.118	
32	SHAHEEN CORPORATION MAIN ROAD UBUARO, DISTT: GHOTKI.	ZULFOAR ALI	ABDUL QAYOOM	1.291	0.000	0.418	1.709	0.598	0.000	0.419	1.017	
33	BROADWAY INTERNATIONAL SUITE No.4, BLOCK 12-D, FAISAL PLAZA, SUPER MKT, F-7, MARKAZ, ISLAMABAD.	MUHAMMAD TAHIR KHAN	MUHAMMAD SARWAR	0.805	0.000	0.000	0.805	0.805	0.000	0	0.805	
34	NAWAZ TRANSPORT COMPANY PLOT NO-C-30, NEAR JAMIA QURTABA BOLCK-1, CLIFTON, KARACHI.	SYED ZAMAN AFRIDI	HABIB KHAN	4.317	0.634	0.180	5.131	2.217	0.000	0.814	3.031	
35	AL-RIAZ TRADERS, BEHIND HI CLASS BAKERI, ALLAHABAD, WAZIRABAD & MUFTI COLONY, G.T.ROAD, WAZIRABAD.	MUHAMMAD RIAZ	ABDUL HAMEED	0.599	0.086	0.000	0.685	0.499	0.000	0.086	0.585	
36	MACDONALD LAYTON INTERNATIONAL LTD MACDONALD LAYTON BUILDING, 34-WEST WHARF ROAD, KARACHI.	BRIG® NASIRUDDIN HAMAYUN A.M. REZVI MAJGEN® SHAFQAT A. SYED	ABDUL QADIR	2.478	1.053	0.000	3.531	2.478	0.000	1.053	3.531	

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

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STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008											
S. No.	Name and address of the Borrower	Name of Individuals/ Partners / Directors with NIC Nos.	Fathers' / Husband's Name	Outstanding Liabilities at the Beginning of the year				Rupees in Million			
				Principal	Interest/ Mark-up	Other	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial Relief Provided	Total
1	2	3	4	5	6	7	8	9	10	11	12
37	MACDONALD LAYTON & COMPANY LTD, MACDONALD LAYTON BUILDING, 34-WEST WHARF ROAD, KARACHI.	BRIG ® NASIRUDDIN HAMAYUN A.M. REZVI MAJ.GEN ® SHAFQAT A. SYED	ABDUL QADIR	1.471	0.348	0.000	1.819	1.471	0.000	0.348	1.819
38	KHALID HUSSAIN HOUSE # L-569, SECTOR 5-A/3, NORTH KARACHI.	KHALID HUSSAIN	MIRZA KHAN	0.405	0.141	0.126	0.672	0.405	0.000	0.267	0.672
39	FRONTIER CARPET INDUSTRIES (PVT) LTD. 191/101 - E, GADDOON AMAZAL, DISTT: SWABI, NWFP	MUMTAZ HUSSAIN ABIDI SHAMSHAD AHMED SOHAIL SHAMSHAD HAJI ISLAM UDDIN AMJAD HUSSAIN DANISHMAND SHAHEEN KAUSAR	TASEER AHMED ABIDI RAHIM BUKSH SHAMSHAD AHMED NOOR UDDIN CH.FAZAL HUSSAIN MUHAMMAD USMAN W/O.HAJI ABDUL RAUF	1.673	4.039	0.000	5.712	1.673	0.000	4.039	5.712
40	BANKERS EQUITY LIMITED 1ST FLOOR FINANCE TRADE CENTRE, KARACHI.	MUHAMMAD ALI KHOJA INAM ELLAHI ETRAI H. RIZVI DR.AMJAD WAHEED AKMAL RAZA CHAUDHRY ABDUL RASHEED MUHAMMAD QASIM	ALI BHAI NANJI FAZAL ELLAHI SYED SHAUKAT HUSSAIN DR.ABDUL WAHEED CH. ALLAH DITTA CH.MUHAMMAD ISMAIL MIRZA GHULAM HABIB	94.546	169.385	0.068	263.999	94.546	0.000	0.068	94.614
41	HAJI MUHAMMAD BASHIR	HAJI MUHAMMAD BASHIR		0.108	0.403	0.000	0.511	0.108	0.000	0.403	0.511
42	BILAL VEGETABLE GHEE IND (PVT) LTD. WEST JAESEL WAHAN, JHANG ROAD, MUZAFFAE GARH.	SHAHID HUSSAIN HAJI ABID HUSSAIN HAJI MUHAMMAD HUSSAIN	MUSHTAQ AHMED MUSHTAQ AHMED FAIZ BUX	7.193	8.613	0.218	16.024	7.193	0.000	8.831	16.024
43	NAEEM ENTERPRISES KHANEWAL ROAD. VEHARI	NADEEM IQBAL	AHMED SULTAN	0.561	2.777	0.000	3.338	0.561	0.000	2.777	3.338
44	NATIONAL COTTON GINNING & PRESING FACTORY. MULTAN ROAD, LODHRAN.	MIAN MUHAMMAD ASLAM MIAN MUHAMMAD AAMIR	MIAN DUR MUHAMMAD MIAN MUHAMMAD ASLAM	0.814	0.380	0.000	1.194	0.814	0.000	0.380	1.194
45	ZUBAIR CORPORATION COTTON GINNERS. 23/W, HOUSING SCHEME BUREWALA.	MUHAMMAD SARWAR	MUHAMMAD DIN	1.353	0.582	0.000	1.935	1.353	0.000	0.582	1.935
46	CHROMOTECH (PVT) LIMITED. OFFICE: SUIT #402, SEA BREEZE PLAZA, KARACHI. FACTORY: C-223, HUB INDUSTRIAL ESTATE, DISTRICT. LASBELLA.	NOOR MUHAMMAD PARACHA MUHAMMAD HANIF PARACHA MRS. ROOHI BANO JAMAL HUSSAIN.	HAJI SULTAN M. PARACHA GHULAM SARWAR PARACHA W/O. NOOR PARACHA SHAFI AHMED	8.077	14.202	0.000	22.279	8.077	0.000	14.202	22.279

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008												
S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Rupees in Million				
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
1	2	3	4	5	6	7	8	9	10	11	12	
47	ZULFIQAR INDUSTRIES, 18-GURUNAKPURA, GUJRANWALA.	ZULFIQAR ALI 34101-7906735-1	LALA MUHAMMAD HUSSAIN	11,925	8,711	0,000	20,636	4,951	0,000	8,711	13,662	
48	ANWAR AMIN & CO. 12 E/11,MAIN BOULEVARD GULBERG, LAHORE.	ANWAR AMIN		0,314	1,139	0,000	1,453	0,314	0,000	1,139	1,453	
49	HAJI & CO, 7 BANO BAZAR, BAGHBANPURA, LAHORE	DEEDAR ALI	MEHAR SHAH	0,192	0,540	0,000	0,732	0,192	0,000	0,540	0,732	
50	TIPPU IMPEX SUIT # 18, 3RD FLOOR, ARKAY SQUARE, NEW CHALLI, KARACHI.	SHABBIR AHMED 501-89-380288	NAZIR AHMED	2,341	1,251	0,000	3,592	2,341	0,000	1,251	3,592	
51	MALIK TEXTILE INDUSTRIES 2. NADIR HOUSE, 3RD FLOOR, 1.1.CHUNDRIGAR ROAD, KARACHI.	TARIQ RASOOL MALIK SAIFU RASOOL 506-92-294777	GHULAM RASOOL MALIK	0,198	0,874	0,000	1,072	0,198	0,000	0,874	1,072	
52	N.F.ENTERPRISES 5TH FLOOR PIDC HOUSE, DR.ZHAUDDIN ROAD, KARACHI.	MUHAMMAD FAROOQ	MUHAMMAD SHAFI	3,772	5,011	0,000	8,783	3,772	0,000	5,011	8,783	
53	EURO EXPORT 68-C,13TH COMMERCIAL STREET, PHASE II EXTENSION, DHA, KARACHI.	MUHAMMAD JUNAID DHADUK 517-85-038649	MUHAMMAD HANIF	4,000	3,077	0,000	7,077	4,000	0,000	3,077	7,077	
54	HAROON YOUNUS 29-C, COMMERCIAL AREA (A), DHA, PHASE-II, KARACHI.	ALI MUHAMMAD 517-85-397688	MUHAMMAD YAHYA	0,498	0,135	0,000	0,633	0,498	0,000	0,135	0,633	
55	SAQIB TRADERS, H.#35, BLOCK #2, STREET #7, NEW MULTAN.	MUHAMMAD ANWAR 323-87-046401	MUHAMMAD SIDDIQUE	2,800	0,560	0,000	3,360	2,800	0,000	0,560	3,360	
56	PAK GARMENTS INDUSTRIES (PVT) LIMITED, 537, SIKANDARABAD, ABBOTTABAD.	ASIF QAZI IFTIQAR HUSSAIN MIAN TANVEER HUSSAIN	QAZI ABDUL JALIL MIAN AKHTAR HUSSAIN MIAN AKHTAR HUSSAIN	0,648	4,085	0,000	4,733	0,648	0,000	4,085	4,733	
57	BAYINDIR INSAAT TURIZM TICARET Yc SANAYI A.S, TURUS CAD #24,06680, KAVAKLIDERE, ANKARA, TURKEY.	ABDULLAH COBAN SADIK CAN GJA G JILANI MEHMET KUZUOGLU FARUK YILDIRIM OMER FARUK ERITZMAN MEHMET MAZAK BULENT CILINGIR ENGIN EREM MUSTAFA KARAMISIR FARTH MEHMET COSON	OMER CEMAL MUHAMMAD SIDDIQUE ALI HAYDAR HASSAN NACI OMER MOHARREM MUNIR MUMIN MELMET	300,213	484,231	0,000	734,444	300,213	0,000	484,231	734,444	

## Annexure II

As referred to in notes 10.7 to the unconsolidated financial statements

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S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year						Rupees in Million	
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3	4	5	6	7	8	9	10	11	12
58	J A S H 602, AWAZ PLAZA, SHAHRAH-E-FAISAL, KARACHI.	JAWED CHAUDRY 42301-9024596-7	CHAUDRY MAJEED	9.125	7.041	0.000	16.166	8.625	0.000	7.041	15.666
59	TAWAKKAL GARMENTS INDUSTRIES LIMITED. 6TH FLOOR, LAKSON SQUARE, BUILDING NO-1, SARWAR SHAHEED ROAD, KARACHI.	ABDUL QADIR TWAKKAL ALI HUSSAIN MOONEY IQBAL MEHDI MUHAMMAD YOUSUF MUHAMMAD RAFIQ MUHAMMAD SOHAIL MUHAMMAD FAROOQ	NOOR MUHAMMAD LATE HASAN ALI MEHDI ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL	65.954	56.166	0.000	122.120	65.954	0.000	56.166	122.120
60	TAWAKKAL LIMITED. 6TH FLOOR, LAKSON SQUARE, BUILDING NO-1, SARWAR SHAHEED ROAD, KARACHI.	ABDUL QADIR TWAKKAL ALI HUSSAIN MOONEY IQBAL MEHDI MUHAMMAD YOUSUF MUHAMMAD RAFIQ MUHAMMAD SOHAIL MUHAMMAD FAROOQ	NOOR MUHAMMAD LATE HASAN ALI MEHDI ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL	62.936	69.418	0.000	132.354	62.938	0.000	69.418	132.356
61	MAGH KNITTERS PVT LTD. 136-BILAL PARK CHUBURGI, LAHORE.	MOBEEN AHMED MST. NAZIR BEGUM MST. SURRAYA BEGUM	MALIK MUHAMMAD SHAFIQ W/O AZIZ UR REHMAN W/O GHULAM MUHAMMAD	7.916	5.737	0.000	13.653	7.916	0.000	5.737	13.653
62	KOHINOOR LOOMS LIMITED 70-E/1, GULBERG-II, LAHORE.	M. JAVED SAIGOL MRS. KATHERINE SAIGOL MISS. MEHREEN SAIGOL MRS. TAREFA SAIGOL MISS. LENA SAIGOL A. SALEEM GHORI KHALID M. SHEIKH.	MIAN M. YOUSUF W/O M. JAVED SAIGOL D/O. JAVED SAIGOL W/O. JAVED SAIGOL D/O. JAVED SAIGOL ABDUL HAKIM HAKEEM M. TAWAB	18.708	31.335	0.000	50.043	18.708	0.000	31.335	50.043
			<b>TOTAL</b>	<b>856.526</b>	<b>831.954</b>	<b>174.898</b>	<b>1,863.378</b>	<b>764.958</b>	<b>0.000</b>	<b>837.469</b>	<b>1,602.427</b>



## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

### 1. DETAIL OF DISPOSAL OF FIXED ASSETS

Particulars	Rupees in '000					
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>Furniture and fixtures</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	53	52	1	7	As per Bank policy	Mr. Shoukat Ali Larik
	40	34	6	20	As per Bank policy	Mr. Aaqib Javed
	57	43	14	41	As per Bank policy	Mr. Zafar Mansoor Khan
	70	67	3	14	As per Bank policy	Mr. Aslam Sheikh
	40	34	6	55	As per Bank policy	Mr. Ejazuddin
	30	17	13	21	As per Bank policy	Mr. Sabir Hussain
	70	69	1	6	As per Bank policy	Mr. Rameez Hassan Raja
	30	25	5	32	As per Bank policy	Mr. Irshad Ali
	30	29	1	4	As per Bank policy	Mr. Alamdar. H Rizvi
	30	17	13	21	As per Bank policy	Mr. Ismail Mohammad Oza
	30	29	1	4	As per Bank policy	Mr. Muhammed Naseer
	40	38	2	29	As per Bank policy	Mr. Imanullah Kundi
	40	38	2	12	As per Bank policy	Mr. Aslam Tahir
	30	30	-	2	As per Bank policy	Mr. Said Bahadur Khan
	40	38	2	8	As per Bank policy	Ch Munir Akhtar
	55	48	7	18	As per Bank policy	Mr. Malik Naveed Ellahi
	40	34	6	15	As per Bank policy	Mr. Mehmood Ahmed Kayani
	30	26	4	9	As per Bank policy	Mr. Rais Ahmed
	53	51	2	6	As per Bank policy	Mr. Mohammad Ali Khan
	30	30	-	1	As per Bank policy	Mr. Aziz ur Rehman
	138	91	47	68	As per Bank policy	Mr. Khalid Mehboob
	53	51	2	7	As per Bank policy	Mr. Naseem Farooqi
	55	49	6	9	As per Bank policy	Mr. Muhammad Azam Usmani
	70	70	-	-	As per Bank policy	Mr. Habib ur Rehman
	40	38	2	8	As per Bank policy	Mr. Abdul Khaliq Choudry
	40	34	6	10	As per Bank policy	Mr. Faz Rasul
	4,125	931	3,194	3,432	As per Bank policy	Mr. Khalid A Sherwani
- Others	45,341	43,707	1,634	5,050	Various	Various
<b>Total</b>	<b>50,700</b>	<b>45,720</b>	<b>4,980</b>	<b>8,909</b>		
<b>Electrical, office and computer equipment</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	70	70	-	-	As per Bank policy	Mr. Shoukat Ali Larik
	27	27	-	-	As per Bank policy	Mr. Aaqib Javed
	58	57	1	12	As per Bank policy	Mr. Zafar Mansoor Khan
	56	56	-	-	As per Bank policy	Mr. Aslam Sheikh
	35	35	-	-	As per Bank policy	Mr. Ejazuddin
	36	33	3	12	As per Bank policy	Mr. Sabir Hussain
	47	47	-	-	As per Bank policy	Mr. Rameez Hassan Raja
	35	35	-	-	As per Bank policy	Mr. Irshad Ali
	34	34	-	-	As per Bank policy	Mr. Alamdar. H Rizvi
	38	35	3	13	As per Bank policy	Mr. Ismail Mohammad Oza
	39	39	-	-	As per Bank policy	Mr. Muhammed Naseer
	26	26	-	-	As per Bank policy	Mr. Imanullah Kundi
	35	35	-	-	As per Bank policy	Mr. Aslam Tahir
	33	31	2	44	As per Bank policy	Mr. Said Bahadur Khan
	25	25	-	-	As per Bank policy	Ch Munir Akhtar
	62	60	2	26	As per Bank policy	Mr. Malik Naveed Ellahi
	28	28	-	-	As per Bank policy	Mr. Mehmood Ahmed Kayani
	35	35	-	-	As per Bank policy	Mr. Rais Ahmed
	56	56	-	-	As per Bank policy	Mr. Mohammad Ali Khan
	24	24	-	-	As per Bank policy	Mr. Aziz ur Rehman
	100	99	1	-	As per Bank policy	Mr. Khalid Mehboob
	83	83	-	-	As per Bank policy	Mr. Naseem Farooqi
	50	45	5	8	As per Bank policy	Mr. Muhammad Azam Usmani
	63	63	-	-	As per Bank policy	Mr. Habib ur Rehman
	35	35	-	-	As per Bank policy	Mr. Abdul Khaliq Choudry
	26	26	-	-	As per Bank policy	Mr. Faz Rasul
	10	10	-	5	As per Bank policy	Mr. Naseem A. Farooqi
- Others	106,996	97,375	9,621	9,053	Various	Various
<b>Total</b>	<b>108,162</b>	<b>98,524</b>	<b>9,638</b>	<b>9,173</b>		

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>Vehicles</b>						
Honda Civic	1,506	602	904	1,205	As per Bank policy	Mr. Iqbal Zaidi
Honda Civic	1,506	251	1,255	1,205	As per Bank policy	Mr. Azfar Naqvi
Honda Civic	1,323	-	1,323	846	As per Bank policy	Mr. Shahid Raza
Honda Civic	1,287	837	450	695	As per Bank policy	Mr. Sawak Talati
Toyota Corolla	1,209	786	423	641	As per Bank policy	Mr. Muhammad Yaseen
Honda Civic	1,522	-	1,522	1,293	As per Bank policy	Mr. Tariq Mehmood
Toyota Camry	2,750	-	2,750	2,521	As per Bank policy	Mr. Shahid Raza
Honda Civic	1,323	-	1,323	767	As per Bank policy	Mr. Javed Iqbal
Honda Civic	1,564	-	1,564	1,433	As per Bank policy	Mr. Abdul Hafeez Butt
Toyota Corolla	1,005	-	1,005	946	As per Bank policy	Mr. Nasir Javaid
Honda Civic	1,506	176	1,330	1,119	As per Bank policy	Mr. Saif-ul-Islam
Toyota Camry	2,750	-	2,750	2,459	As per Bank policy	Mr. Ali Asfar Naqvi
Toyota Altis	1,309	-	1,309	615	As per Bank policy	Mr. Afzal H. Bokhari
Honda Civic	1,281	363	918	684	As per Bank policy	Mr. Khawaja Muhammad Almas
Honda Civic	1,564	-	1,564	1,372	As per Bank policy	Mr. Aun Ali
Honda Civic	1,506	201	1,305	998	As per Bank policy	Mr. Shafique Ahmed Uqaili
Honda Civic	1,287	751	536	695	As per Bank policy	Mr. Fareed Vardag
Toyota Camry	2,750	-	2,750	2,459	As per Bank policy	Mr. Iqbal Zaidi
Toyota Camry	2,750	-	2,750	2,567	As per Bank policy	Mr. Zia Ijaz
Toyota Altis	1,309	-	1,309	759	As per Bank policy	Mr. Muhammad Sardar Khwaja
Honda Civic	1,564	-	1,564	1,355	As per Bank policy	Mr. Muhammad Asim Tufail
Sportage Jeep	1,572	1,572	-	610	Auction	Mr. Asif
Honda Accord	2,410	1,245	1,165	1,525	As per Bank policy	Mr. Khalid Sherwani
Toyota Camry	2,699	1,394	1,305	1,617	As per Bank policy	Mr. Khalid Sherwani
Toyota Corolla	1,005	151	854	905	As per Bank policy	Ms Scellina Nawaz.
Honda Civic	969	65	904	775	As per Bank policy	Mr. Shahid Raza
Toyota Corolla	969	258	711	659	As per Bank policy	Mr. Ziaullah Chaudhry
Toyota Corolla	969	630	339	514	As per Bank policy	Mr. Abdul Aleem Qureshi
Toyota Corolla	879	234	645	609	As per Bank policy	Mr. Ahmed Faraz Qahir
Honda City	846	226	620	598	As per Bank policy	Mr. Naveed Nasim
Toyota Corolla	969	630	339	581	As per Bank policy	Mr. Waheed-ur-Rehman
Toyota Corolla	969	630	339	533	As per Bank policy	Mr. Iqbal Abdulla
Toyota Corolla	969	630	339	504	As per Bank policy	Mr. Muhammad Yaseen
Toyota Corolla	969	258	711	659	As per Bank policy	Mr. Javed Iqbal
Toyota Corolla	969	630	339	523	As per Bank policy	Mr. Junaid Alam
Honda City	901	240	661	613	As per Bank policy	Mr. Asim Mustafa
Toyota Corolla	969	258	711	646	As per Bank policy	Mr. Freddy Sethna
Toyota Corolla	969	-	969	749	As per Bank policy	Mr. Javed Iqbal
Toyota Corolla	969	113	856	749	As per Bank policy	Mr. Tariq Mehmood
Toyota Corolla	879	249	630	621	As per Bank policy	Mr. Tanveer Hussain
Honda City	936	265	671	730	As per Bank policy	Miss Nadia Tabasum
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. Naseem A. Farooqi
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. Farooq Ayub
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Honda City	934	-	934	819	As per Bank policy	Mr. Sajjad Hussain
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Maqsood A. Yousafani
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Syed M. Taqi Shah
Toyota Corolla	879	249	630	523	As per Bank policy	Mr. Tariq Ahmed Mahmood
Toyota Corolla	969	275	694	525	As per Bank policy	Mr. Adnan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Aftab Alam Bhutto
Toyota Corolla	879	249	630	536	As per Bank policy	Mr. Dil Nawaz Yousaf
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Bashir Merchant
Honda City	854	142	712	720	As per Bank policy	Mr. Shams-uz-Zaman
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Aftab Ali Khan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Ramz Ali Larik
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Noor Muhammad Chauhan
Honda City	934	-	934	856	As per Bank policy	Mr. Shafique Ahmed Uqaili
Toyota Corolla	879	-	879	790	As per Bank policy	Mr. Shahid Mehmood Alam
Toyota Corolla	893	-	893	854	As per Bank policy	Mr. Abdul Malik
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Javed Iqbal Bajwa
Toyota Corolla	893	-	893	819	As per Bank policy	Mr. Muhammad Azhar Khan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Shahid Sarwar
Honda City	854	-	854	740	As per Bank policy	Mr. Khurshid Anwar
Toyota Corolla	879	249	630	566	As per Bank policy	Mr. Nelson Francis
Toyota Corolla	969	275	694	551	As per Bank policy	Mr. Imran Maqsood
Toyota Corolla	879	249	630	536	As per Bank policy	Mr. Mirza Dilshad Baig
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Fayyaz M Quershi
Toyota Corolla	915	-	915	803	As per Bank policy	Mr. Iqan ullah Raja
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Tariq Mahmood Shahid
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Iftikhar Hussain Mir
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Muhammad Raffat
Honda City	893	-	893	818	As per Bank policy	Mr. Muhammad Asad Khan
Toyota Corolla	879	249	630	506	As per Bank policy	Ms Masooda Ahmed
Honda City	936	265	671	615	As per Bank policy	Mr. Syed Ali Raza
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Saleem Ahmed
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Rafiq Kashmiri

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Honda City	854	-	854	740	As per Bank policy	Mr. Pervaiz Hussain
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Abid Gahfoor
Toyota Corolla	969	275	694	564	As per Bank policy	Mr. Khalid Sohail Azmi
Toyota Corolla	879	73	806	632	As per Bank policy	Mr. Syed Ibrahim Hassan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Abdur Rahim Khan
Toyota Corolla	879	249	630	503	As per Bank policy	Mr. Syed Zaki Ahmed
Toyota Corolla	879	249	630	528	As per Bank policy	Mr. Syed Waqar Haider
Toyota Corolla	969	275	694	596	As per Bank policy	Mr. Anwar Viance
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Riaz Ali
Toyota Corolla	915	-	915	839	As per Bank policy	Mr. M.Irshad Akbar
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Ernest John Jalaluddin
Honda City	934	-	934	803	As per Bank policy	Mr. Syed Hassan Rizvi
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Nasim Ahmed Junejo
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Muhammad Hussain
Toyota Corolla	969	371	598	582	As per Bank policy	Mr. Abdus Salam Khan
Toyota Corolla	879	249	630	503	As per Bank policy	Mr. Ahmer Humayuun
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. S.M.I.Rizwe
Toyota Corolla	893	-	893	818	As per Bank policy	Mr. Umer Farooq
Toyota Corolla	969	371	598	773	As per Bank policy	Mr. Naeem Akthar Rizvi
Toyota Corolla	893	-	893	823	As per Bank policy	Mr. Saif-Ud-Din Ahmed
Honda City	901	255	646	597	As per Bank policy	Mr. Zubair Sharif
Honda City	854	-	854	740	As per Bank policy	Mr. Mazhar Imam Zaidi
Honda City	846	-	846	662	As per Bank policy	Mr. Kaizad Malvalava
Toyota Corolla	969	501	468	357	As per Bank policy	Mr. Zeeshan Rafiq
Toyota Corolla	981	-	981	882	As per Bank policy	Mr. Asim Tufail
Honda City	854	-	854	740	As per Bank policy	Mr. Shakeel Ahmad
Honda City	901	120	781	635	As per Bank policy	Mr. Baber Pervez
Honda City	901	-	901	597	As per Bank policy	Mr. Muhammad Zikria
Toyota Corolla	981	-	981	905	As per Bank policy	Mr. Muhammad Tariq Khan
Toyota Corolla	969	581	388	514	As per Bank policy	Mr. Fareed Vardag
Toyota Corolla	879	73	806	685	As per Bank policy	Mr. Ahsan Ashrat
Toyota Corolla	849	325	524	316	As per Bank policy	Mr. Javed Abbas
Toyota Corolla	903	90	813	833	As per Bank policy	Mr. Muhammad Pervaiz
Honda City	909	121	788	756	As per Bank policy	Mr. Zia Ijaz
Toyota Corolla	879	117	762	641	As per Bank policy	Mr. Sohail Aziz Zaidi
Honda City	934	-	934	814	As per Bank policy	Ms Nadia Tabassum
Honda City	854	-	854	740	As per Bank policy	Mr. Salah Uddin Khan
Toyota Corolla	893	-	893	803	As per Bank policy	Mr. Alec Khalid Ghaznavi
Toyota Corolla	893	-	893	834	As per Bank policy	Mr. Nadeem Asghar Ansari
Honda City	901	255	646	529	As per Bank policy	Mr. Sohail Aziz
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. M.Azizul Haq Quershi
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Rahat Nadeem
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Muhammad Nabi Alam
Toyota Corolla	879	249	630	566	As per Bank policy	Mr. Arif Mansoor
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Mirza Muhammad Yousaf
Toyota Corolla	893	-	893	834	As per Bank policy	Mr. M.Riaz Siddiqui
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Anwar uddin Memon
Toyota Corolla	969	517	452	581	As per Bank policy	Mr. Muhammad Sardar Khwaja.
Toyota Corolla	969	517	452	552	As per Bank policy	Mr. Sajid P. Ansari.
Toyota Corolla	969	630	339	514	As per Bank policy	Mr Aizad Gill
Honda City	885	531	354	329	As per Bank policy	Mr. Raheel Qamar Ahmed
Toyota Corolla	879	381	498	750	Insurance	EFU Insurance Company
Toyota Corolla	969	-	969	749	As per Bank policy	Mr. Azhar A. Jaffri
Toyota Corolla	969	323	646	554	As per Bank policy	Mr. Danish Shahryar
Toyota Corolla	969	549	420	357	As per Bank policy	Mr. Hermond Javed Bhatti
Toyota Corolla	879	293	586	586	As per Bank policy	Mr. Qaseem Nawaz
Toyota Corolla	969	565	404	402	As per Bank policy	Mr. S.A.H Chishti
Honda City	854	-	854	740	As per Bank policy	Mr. Pervaiz Akhtar
Toyota Corolla	925	185	740	827	As per Bank policy	Mr Shafique Ahmed
Toyota Corolla	969	614	355	392	As per Bank policy	Mr Tariq Javed Ghumman.
Toyota Corolla	879	352	527	499	As per Bank policy	Mr Ishtiaq Hussain.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr Qamar Abbas.
Toyota Corolla	981	218	763	921	As per Bank policy	Mr Asadullah Beg.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr I.A.Khairi.
Honda City	854	213	641	720	As per Bank policy	Mr Vinod Khumar.
Toyota Corolla	879	352	527	499	As per Bank policy	Mr Sahrique Umer.
Honda City	854	213	641	720	As per Bank policy	Mr Nazir Ahmed Memon.
Toyota Corolla	879	220	659	599	As per Bank policy	Mr Owais Shahid.
Toyota Corolla	879	132	747	624	As per Bank policy	Mr Syed Ahmed.
Toyota Corolla	969	388	581	610	As per Bank policy	Mr Khalid Masud
Honda City	854	213	641	720	As per Bank policy	Mr Khurram Khan.
Toyota Corolla	969	-	969	692	As per Bank policy	Mr Usman Afzal Khan.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr Siddque Ibrahim.
Honda Civic	1,287	1,008	279	556	As per Bank policy	Mr Muhammad Javed Iqbal
Toyota Corolla	879	352	527	920	Auction	Mr. Syed Riaz Ahmed
Toyota Corolla	969	485	484	956	Auction	Mr. Muhammad Junaid
Toyota Corolla	879	440	439	930	Auction	Mr. Abdul Rauf
Suzuki Cultus	660	165	495	755	Auction	Mr. Rashid Ayub
Toyota Corolla	879	352	527	950	Auction	Mr. Syed Riaz Ahmed
Toyota Altis	1,309	785	524	921	As per Bank policy	Mr. Neaveed Masud
Toyota Corolla	977	98	879	508	As per Bank policy	Mr. Nisar Ahmed

**Annexure III**

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Toyota Corolla	1,506	25	1,481	1,272	As per Bank policy	Mr. S.M. Zia
Toyota Corolla	1,506	25	1,481	1,179	As per Bank policy	Mr. Azhar A. Jaffri
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	35,309	33,824	1,485	16,903	Various	Various
<b>Total</b>	<b>203,858</b>	<b>73,992</b>	<b>129,866</b>	<b>136,735</b>		
<b>Leasehold improvement</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,720	1,614	1,106	663	Various	Various
<b>December 31, 2008</b>	<b>365,440</b>	<b>219,850</b>	<b>145,590</b>	<b>155,480</b>		
<b>December 31, 2007</b>	<b>120,318</b>	<b>71,594</b>	<b>48,724</b>	<b>63,021</b>		

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

### 2. LOCATION OF REVALUED PROPERTIES

Date of Purchase	Revaluation Date	Particulars	City Location
24.10.1984	December 31, 2008	BANKS SQUARE CHATTER, MUZAFARABAD.	AZAD KASHMIR
29.07.1975	December 31, 2008	PLOT NO. 631 SECTOR B-1 , MIRPUR.	AZAD KASHMIR
19.09.1996	December 31, 2008	MUNIR SHAHEED CHOWK AHMED PUR EAST, BAHAWALPUR .	BAHAWALPUR
25.11.2008	December 31, 2008	AHMED PUR ROAD DUBAI CHOWK, BAHAWALPUR.	BAHAWALPUR
25.09.2008	December 31, 2008	COMMERCIAL MARKET CHAKLALA SCHEME- III , CHAKLALA CANTT.	CHAKLALA
19.08.2005	December 31, 2008	GARHHA BRANCH, CHINIOT, JHANG .	CHINIOT
05.09.2006	December 31, 2008	GHULAM MUHAMMAD ABAD BRANCH, FAISALABAD .	FAISALABAD
23.12.1970	December 31, 2008	GOLE CLOTH BAZAR BRANCH, FAISALABAD .	FAISALABAD
28.06.1997	December 31, 2008	JINNAH COLONY BRANCH, FAISALABAD .	FAISALABAD
27.06.2005	December 31, 2008	KOTWALI ROAD BRANCH, FAISALABAD .	FAISALABAD
30.06.2005	December 31, 2008	MONTGOMRY BAZAR BRANCH, FAISALABAD .	FAISALABAD
14.12.1998	December 31, 2008	REGENCY ARCADE BRANCH, FAISALABAD .	FAISALABAD
15.09.1996	December 31, 2008	SITARA TOWER BRANCH, FAISALABAD .	FAISALABAD
31.08.2008	December 31, 2008	PLOT AT AMIN TOWN, FAISALABAD.	FAISALABAD
22.10.2005	December 31, 2008	JAIL ROAD BRANCH, FAISALABAD .	FAISALABAD
29.06.2005	December 31, 2008	MADINA TOWN BRANCH, FAISALABAD.	FAISALABAD
31.12.2005	December 31, 2008	PEOPLES COLONY BRANCH, FAISALABAD.	FAISALABAD
22.10.2005	December 31, 2008	SATYANA ROAD BRANCH, FAISALABAD.	FAISALABAD
20.12.1999	December 31, 2008	BANK SQUARE BRANCH, GUJRANWALA .	GUJRANWALA
30.06.2006	December 31, 2008	CLIMAXABADABAD TOWN BRANCH, GUJRANWALA.	GUJRANWALA
24.03.2007	December 31, 2008	SHARAH-E-NOOR MUHAMMAD ROAD, TILAK INCLINE, HYDERABAD.	HYDERABAD
15.09.2007	December 31, 2008	HAJI ADAM REHMANI CENTER SADDAR, BOHRI BAZAR, HYDERABAD.	HYDERABAD
08.07.1999	December 31, 2008	CITIZEN COLONY BRANCH, HYDERABAD .	HYDERABAD
31.07.1996	December 31, 2008	CIVIC CENTER BRANCH, HYDERABAD.	HYDERABAD
20.07.1975	December 31, 2008	CIBG BRANCH JINNAH AVENUE BLUE AREA, ISLAMABAD .	ISLAMABAD
09.09.2006	December 31, 2008	F-11 MARKAZ ,ISLAMABAD.	ISLAMABAD
30.10.2006	December 31, 2008	FARHAN PLAZA G-11 , ISLAMABAD.	ISLAMABAD
19.05.2006	December 31, 2008	F-10 MARKAZ, ISLAMABAD.	ISLAMABAD
15.12.2006	December 31, 2008	F-6 MARKAZ, ISLAMABAD.	ISLAMABAD
11.11.2006	December 31, 2008	F-8 MARKAZ, ISLAMABAD.	ISLAMABAD
09.10.2007	December 31, 2008	SECTOR G-8, ISLAMABAD.	ISLAMABAD
26.11.2008	December 31, 2008	DHA PHASE - II ,ISLAMABAD.	ISLAMABAD
27.06.2007	December 31, 2008	MANDI FAIZABAD JARANWALA ROAD DISTRICT, NANKANA SHAIB.	JARANWALA
31.12.2007	December 31, 2008	PLOT NO. D-283, SITE, KARACHI.	KARACHI
19.12.2007	December 31, 2008	KHAYABAN-E-ITTEHAD, PHASE VII, D.H.A, KARACHI .	KARACHI
31.08.2008	December 31, 2008	BINNORI TOWN BRANCH, KARACHI.	KARACHI
29.11.2006	December 31, 2008	KARIMABAD BRANCH, KARACHI .	KARACHI
31.08.1998	December 31, 2008	NEW CHALLI BRANCH, KARACHI.	KARACHI
31.08.2008	December 31, 2008	REGENCY APARTMENT, KARACHI.	KARACHI
31.05.2008	December 31, 2008	SALEH MOHAMMAD STREET BRANCH, KARACHI.	KARACHI
09.03.2005	December 31, 2008	BATH ISLAND OPEN PLOT CLIFTON, KARACHI.	KARACHI
25.08.1999	December 31, 2008	JADE GARDEN CLIFTON, KARACHI.	KARACHI
21.12.2005	December 31, 2008	KHE-E-KHALID GUEST HOUSES, KARACHI.	KARACHI
22.05.2006	December 31, 2008	NEW SABZIMANDI BRANCH, KARACHI.	KARACHI
10.06.2000	December 31, 2008	S.I.T.E. BRANCH, KARACHI.	KARACHI
31.03.2008	December 31, 2008	STAR GATE BRANCH, KARACHI.	KARACHI
05.08.1999	December 31, 2008	BANGULORE TOWN, KARACHI.	KARACHI
27.08.2003	December 31, 2008	K.S.E. BRANCH , KARACHI.	KARACHI
09.08.1999	December 31, 2008	LAKSON SQUARE, KARACHI.	KARACHI
26.05.2000	December 31, 2008	P.I.B. BRANCH, KARACHI.	KARACHI
12.07.1999	December 31, 2008	SAIMA TOWER BRANCH, KARACHI.	KARACHI
09.10.1988	December 31, 2008	ZAIBUNNISA STREET SADDAR, KARACHI.	KARACHI
01.01.1985	December 31, 2008	TAJ COMPLEX, MAIN M.A. JINNAH ROAD, KARACHI.	KARACHI
08.11.1993	December 31, 2008	HYDRI BRANCH NORTH NAZIMABAD, KARACHI.	KARACHI
08.10.1986	December 31, 2008	BUFFER ZONE BRANCH NORTH KARACHI, KARACHI.	KARACHI
17.12.1987	December 31, 2008	BOATING BASIN BRANCH CLIFTON, KARACHI.	KARACHI
30.06.2006	December 31, 2008	ZAMZAMA PHASE-V, D.H.A. KARACHI.	KARACHI
30.09.1998	December 31, 2008	BADAR COMMERCIAL AREA, PHASE-V EXT., D.H.A. KARACHI.	KARACHI
27.11.1996	December 31, 2008	JAMI ARCADE BRANCH, PHASE-II EXT. D.H.A., KARACHI.	KARACHI
29.06.1998	December 31, 2008	DEFENCE GARDEN, PHASE-I, D.H.A., KARACHI.	KARACHI
19.08.1998	December 31, 2008	CLOTH MARKET BRANCH M.A. JINNAH ROAD, KARACHI.	KARACHI
15.09.1998	December 31, 2008	BABA-E-URDU BRANCH, KARACHI.	KARACHI
05.06.1985	December 31, 2008	AMBER TOWER BRANCH SHAHRAH-E-FAISAL, KARACHI.	KARACHI
20.03.1979	December 31, 2008	DADABHOY CENTRE BRANCH , SHAHRAH-E-FAISAL, KARACHI.	KARACHI
29.12.1996	December 31, 2008	KHALID BIN WALEED ROAD BRANCH, KARACHI.	KARACHI
20.03.1998	December 31, 2008	NURSERY BRANCH P.E.C.H.S. COMMERCIAL AREA, KARACHI.	KARACHI
11.08.1998	December 31, 2008	BLOCK-K, NORTH NAZIMABAD BRANCH, KARACHI.	KARACHI
09.08.1980	December 31, 2008	MAIN UNIVERSITY ROAD BRANCH, KARACHI.	KARACHI
16.02.1986	December 31, 2008	RASHID MINHAS ROAD BRANCH GULSHAN-E-IQBAL, KARACHI.	KARACHI
30.04.2008	December 31, 2008	AKBAR PARADISE, BLOCK A, RASHID MINHAS ROAD, KARACHI.	KARACHI
07.01.2008	December 31, 2008	SUNSET BOULEVARD BRANCH PHASE-II, D.H.A.,KARACHI.	KARACHI
31.05.2008	December 31, 2008	PLOT NO. 24-C, 26TH STREET, PHASE-V, D.H.A., KARACHI.	KARACHI
29.09.1999	December 31, 2008	STAR GATE BRANCH FORT SULTAN BUILDING, KARACHI.	KARACHI
15.08.1994	December 31, 2008	BAHADURABAD BRANCH, KARACHI.	KARACHI
29.02.2008	December 31, 2008	S.M.C.H.S. BRANCH SARWAT PLAZA, KARACHI.	KARACHI
24.02.1992	December 31, 2008	ABDULLAH HAROON ROAD BRANCH TRADE TOWER, KARACHI.	KARACHI
24.02.1992	December 31, 2008	2ND & 3RD FLOOR, ABDULLAH HAROON ROAD TRADE TOWER, KARACHI.	KARACHI



## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the unconsolidated financial statements

Date of Purchase	Revaluation Date	Particulars	City Location
30.09.2005	December 31, 2008	BROADWAY CLIFTON BRANCH, KARACHI.	KARACHI
30.10.1996	December 31, 2008	CENTRAL OFFICE MAIN CLIFTON ROAD, BATH ISLAND, KARACHI.	KARACHI
08.11.1986	December 31, 2008	AMBER PALACE BRANCH MAIN SHAHRAH-E-FAISAL, KARACHI.	KARACHI
30.12.1966	December 31, 2008	BUNGALOW NO. 44-D, BLOCK-6, PECHS, KARACHI.	KARACHI
30.12.1966	December 31, 2008	PLOT NO. 72S, BLOCK-6, P.E.C.H.S., KARACHI	KARACHI
17.07.1975	December 31, 2008	PLOT NO. G.K. 7/74, GHULAM HUSSAIN QUARTERS, KARACHI.	KARACHI
21.12.2005	December 31, 2008	SERAI QUARTERS, ALTAF HUSSAIN ROAD, KARACHI.	KARACHI
30.06.2007	December 31, 2008	SCHON CIRCLE CLIFTON BRANCH, KARACHI.	KARACHI
15.12.2008	December 31, 2008	GULSHAN E MAYMAR, KARACHI.	KARACHI
29.12.2008	December 31, 2008	SAFOORA GOTH, KARACHI.	KARACHI
01.10.1973	December 31, 2008	30-NAPIER ROAD, LAHORE.	LAHORE
22.04.1985	December 31, 2008	BAKHSHI MARKET NEW ANARKALI, LAHORE.	LAHORE
30.05.2006	December 31, 2008	INDUSTRIAL AREA BRANCH, BADAMI BAGH, LAHORE .	LAHORE
27.12.1994	December 31, 2008	BRANDRETH ROAD BRANCH, LAHORE.	LAHORE
10.09.1999	December 31, 2008	L.D.A WASA BRANCH, LAHORE.	LAHORE
30.12.2006	December 31, 2008	PLOT # 11 BLOCK B FAISAL TOWN, LAHORE.	LAHORE
31.05.1992	December 31, 2008	QILA GUJJAR SINGH BRANCH, LAHORE	LAHORE
29.08.1994	December 31, 2008	SAMANABAD BRANCH, LAHORE.	LAHORE
09.09.1992	December 31, 2008	SAMANABAD BRANCH, LAHORE.	LAHORE
23.09.1996	December 31, 2008	MODEL TOWN BRANCH, LAHORE.	LAHORE
29.01.1981	December 31, 2008	PLOT # 1 KHYBER BLOCK IQBAL TOWN, LAHORE.	LAHORE
30.05.2006	December 31, 2008	MAIN CIRCULAR ROAD OUTSIDE LAHORI GATE, LAHORE .	LAHORE
27.12.2007	December 31, 2008	BLOCK Z PHASE 3C DHA, LAHORE.	LAHORE
26.05.2006	December 31, 2008	BLOCK CCA-PHASE 4C DHA, LAHORE.	LAHORE
21.08.2006	December 31, 2008	PHASE 6C, MAIN BOULEVARD DHA, LAHORE.	LAHORE
25.01.1987	December 31, 2008	CENTRE POINT MAIN BOULEVARD GULBERG, LAHORE.	LAHORE
19.05.2007	December 31, 2008	G.T ROAD, BAGHBANPURA, LAHORE.	LAHORE
30.04.2008	December 31, 2008	QUAID E AZAM INDUSTRIAL ESTATE KOT LAKHPAT, LAHORE.	LAHORE
11.08.1993	December 31, 2008	KASHMIR ROAD BRANCH, LAHORE.	LAHORE
16.08.1992	December 31, 2008	PLOT AT KASHMIR ROAD, LAHORE.	LAHORE
17.05.1995	December 31, 2008	199-UPPER MALL, LAHORE.	LAHORE
19.08.2006	December 31, 2008	200-B, UPPER MALL BRANCH, LAHORE.	LAHORE
18.12.1998	December 31, 2008	199-A, UPPER MALL, LAHORE.	LAHORE
30.12.2006	December 31, 2008	14- GULSHAN BLOCK ALLAMA IQBAL TOWN, LAHORE.	LAHORE
26.05.2006	December 31, 2008	AIR PORT ROAD,GHAZI ROAD, LAHORE.	LAHORE
17.07.2007	December 31, 2008	DHA PHASE VI - C ,LAHORE.	LAHORE
19.09.2006	December 31, 2008	GARDEN TOWN,LAHORE.	LAHORE
04.09.2007	December 31, 2008	GREEN TOWN, LAHORE.	LAHORE
06.09.2006	December 31, 2008	GULLBERG 2 BLOCK B, LAHORE.	LAHORE
22.06.2007	December 31, 2008	HYDER ROAD TOWNSHIP, LAHORE.	LAHORE
30.06.2007	December 31, 2008	JOHAR TOWN, LAHORE.	LAHORE
30.06.2006	December 31, 2008	PHASE - 5 D.H.A, LAHORE.	LAHORE
30.06.2006	December 31, 2008	WAHDAT COLONY PLAZA, LAHORE.	LAHORE
29.12.2008	December 31, 2008	S-37-R-1478/, BEADON ROAD, LAHORE.	LAHORE
29.12.2008	December 31, 2008	BADAMI BAGH, LAHORE.	LAHORE
29.11.2008	December 31, 2008	PLOT 3-1, I-9 MARKAZ BRANCH, ISLAMABAD.	LAHORE
13.10.1973	December 31, 2008	PLOT AT BUNDER ROAD, LARKANA.	LARKANA
07.03.2006	December 31, 2008	ABDALI ROAD, MULTAN.	MULTAN
31.03.2008	December 31, 2008	PROPERTY # 477-4-2 NEAR BCG CHOWK, VEHARI ROAD, MULTAN.	MULTAN
10.11.2008	December 31, 2008	PROPERTY SITUATED NEAR CHOWK SHAH ABBAS, MULTAN.	MULTAN
19.05.2007	December 31, 2008	RASHEED ABAD CHOWK KHANEWAL ROAD, MULTAN.	MULTAN
02.08.1999	December 31, 2008	8-A QUAID- E- AZAM ROAD, MULTAN.	MULTAN
30.03.2007	December 31, 2008	MOUZA NEILKOT, MULTAN.	MULTAN
16.02.2007	December 31, 2008	GULGASHT COLONY BOSAN ROAD, MULTAN.	MULTAN
08.11.2006	December 31, 2008	AZIZ SHAHEED ROAD, MULTAN CANTT.	MULTAN
31.05.2008	December 31, 2008	MASJID ROAD, NAWABSHAH.	NAWABSHAH
15.08.1966	December 31, 2008	CAVALRY ROAD BRANCH, NOWSHERA.	NOWSHERA
14.11.1997	December 31, 2008	PHASE V HAYATABAD, SATELLITE TOWN, PESHAWAR.	PESHAWAR
12.11.1995	December 31, 2008	PLOT NO.14 PHASE -VII SATELLITE TOWN HAYATABAD, PESHAWAR.	PESHAWAR
17.08.1994	December 31, 2008	PLOT NO-37 PHASE-VII SATELLITE TOWN HAYATABAD, PESHAWAR.	PESHAWAR
20.07.2007	December 31, 2008	QUANDHARI BAZAR BRANCH, QUETTA.	QUETTA
23.06.1999	December 31, 2008	HAZAR GANJI BRANCH, QUETTA.	QUETTA
04.03.1979	December 31, 2008	SATELLITE TOWN, QUETTA.	QUETTA
29.04.1982	December 31, 2008	SIRKI ROAD BRANCH, QUETTA.	QUETTA
20.04.1994	December 31, 2008	NEW SADIQ BAZAR, RAHIM YAR KHAN.	RAHIM YAR KHAN
31.08.2008	December 31, 2008	MURREE ROAD SATELLITE TOWN, RAWALPINDI.	RAWALPINDI
11.12.1997	December 31, 2008	ASGHAR MALL BRANCH, RAWALPINDI.	RAWALPINDI
20.07.1975	December 31, 2008	TRUNK BAZAR CITY,RAWALPINDI.	RAWALPINDI
05.06.1997	December 31, 2008	KASHMIR ROAD, RAWALPINDI CANTT.	RAWALPINDI
07.05.1990	December 31, 2008	SMALL INDUSTRIES ESTATES, SAHIWAL.	SAHIWAL
29.07.1975	December 31, 2008	BLOCK NO. 1, SARGODHA.	SARGODHA
29.12.1997	December 31, 2008	AKBAR BAZAR BRANCH, SHEIKHUPURA .	SHEIKHUPURA
08.05.1994	December 31, 2008	GRAIN MARKET, VEHARI.	VEHARI

Consolidated Financial Statements of  
**Allied Bank Limited**  
and its Subsidiary  
for the year ended December 31, 2008



We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Allied Bank Limited ("the Bank") as at December 31, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 22 branches, which have been audited by us. The financial statements of subsidiary ABL Asset Management Company Limited was audited by M. Yousuf Adil Saleem & Co.

These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Allied Bank Limited as at December 31, 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The unconsolidated financial statements of the Bank for the year ended December 31, 2007 were audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified opinion on those financial statements vide their report dated February 29, 2008. The Bank had not prepared consolidated financial statements for the year ended December 31, 2007 in view of an exemption available from the Securities and Exchange Commission of Pakistan.

KPMG Taseer Hadi & Co.  
Chartered Accountants

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

Date: February 27, 2009  
Place: Karachi

## Consolidated Balance Sheet

as at December 31, 2008

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	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	23,653,754	29,739,878
Balances with other banks	7	2,097,611	668,449
Lendings to financial institutions	8	15,793,183	18,419,241
Investments	9	82,433,998	83,458,463
Advances	10	213,020,108	168,407,280
Operating fixed assets	11	11,150,129	7,551,848
Deferred tax assets	12	1,031,049	662,416
Other assets	13	17,388,612	10,698,979
		366,568,444	319,606,554
<b>LIABILITIES</b>			
Bills payable	15	2,952,490	3,494,384
Borrowings	16	27,778,151	22,933,656
Deposits and other accounts	17	297,474,543	263,469,594
Sub-ordinated loans	18	2,498,000	2,499,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	13,629,361	7,329,759
		344,332,545	299,726,393
<b>NET ASSETS</b>		<b>22,235,899</b>	<b>19,880,161</b>
<b>REPRESENTED BY</b>			
Share capital	20	6,463,644	5,386,370
Reserves		5,804,776	6,050,713
Unappropriated profit		8,475,791	6,973,227
		20,744,211	18,410,310
Surplus on revaluation of assets - net of tax	21	1,491,688	1,469,851
		22,235,899	19,880,161
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.2.

Chief Financial Officer

President and Chief Executive

Director

Director

Director



**Consolidated Profit and Loss Account**  
for the year ended December 31, 2008

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
Mark-up/Return/Interest earned	24	30,594,020	21,201,422
Mark-up/Return/Interest expensed	25	16,549,601	10,086,420
Net Mark-up/Interest income		14,044,419	11,115,002
Provision against non-performing loans and advances - net	10.5.2	1,372,155	2,712,936
Provision for diminution in the value of investments - net	9.3	1,840,249	719
Bad debts written off directly	10.6.1	2,736	1,187
		3,215,140	2,714,842
Net Mark-up/Interest income after provisions		10,829,279	8,400,160
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income	26	2,299,024	2,062,677
Dividend income		1,426,378	147,184
Income from dealing in foreign currencies		230,060	194,879
Gain on sale of securities	27	150,537	1,439,387
Unrealized gain/(loss) on revaluation of investments classified as held for trading - net	9.5	3,201	(1,463)
Other income	28	59,934	77,435
Total Non-markup/Interest income		4,169,134	3,920,099
		14,998,413	12,320,259
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	29	8,145,506	5,947,977
Provision against other assets - net	13.2	214,284	119,579
Provision against off-balance sheet obligations - net	19.1	190,824	39,805
Other charges	30	390,877	256,869
Total non-markup/Interest expenses		8,941,491	6,364,230
Extra-ordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		6,056,922	5,956,029
Taxation - Current	31	1,830,073	1,888,318
- Prior years	31	-	-
- Deferred	31	132,988	(10,366)
		1,963,061	1,877,952
<b>PROFIT AFTER TAXATION</b>		4,093,861	4,078,077
Unappropriated profit brought forward		6,973,227	5,607,796
Transfer from surplus on revaluation of fixed assets - net of tax		17,541	32,701
		6,990,768	5,640,497
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		11,084,629	9,718,574
<b>Basic earnings per share (in Rupees)</b>	32	6.33	6.31
<b>Diluted earnings per share (in Rupees)</b>	32	6.33	6.31

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.2.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

## Consolidated Cash Flow Statement for the year ended December 31, 2008

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	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
		Audited	Un-audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		6,056,922	5,956,029
Less: Dividend income		(1,426,378)	(147,184)
		4,630,544	5,808,845
<b>Adjustments for non-cash charges</b>			
Depreciation/amortization		422,577	341,736
Provision against non-performing loans and advances (including general provision) - net		1,372,155	2,712,936
Provision for diminution in the value of investments - net		1,840,249	719
Unrealized loss on revaluation of held for trading securities		(3,201)	1,463
Provision against off balance sheet obligations - net		190,824	39,805
Provision against other assets - net		214,284	119,579
Operating fixed assets written off		20,711	-
Gain on sale of operating fixed assets		(9,889)	(14,297)
Bad debts written off directly		2,736	1,187
		4,050,446	3,203,128
		8,680,990	9,011,973
<b>(Increase)/decrease in operating assets</b>			
Lendings to financial institutions		2,626,058	630,998
Held for trading securities		(64,019)	203,250
Advances - net		(45,987,719)	(27,087,769)
Other assets (excluding advance taxation)		(5,136,659)	(287,147)
		(48,562,339)	(26,540,668)
<b>Increase/(decrease) in operating liabilities</b>			
Bills payable		(541,894)	1,216,377
Borrowings from financial institutions		4,767,184	4,845,011
Deposits		34,004,949	57,438,270
Other liabilities		6,085,248	2,143,327
		44,315,487	65,642,985
		4,434,138	48,114,290
Income tax paid		(3,539,659)	(2,261,141)
<b>Net cash flows from operating activities</b>		894,449	45,853,149
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		1,026,087	(39,525,522)
Net investments in held-to-maturity securities		(3,749,608)	2,782,945
Net investments in subsidiaries		-	62,488
Dividend income		1,368,736	149,956
Investments in operating fixed assets		(2,677,120)	(1,497,197)
Proceeds from sale of operating fixed assets		158,154	63,021
<b>Net cash flows used in investing activities</b>		(3,873,751)	(37,964,309)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of sub-ordinated loan		(1,000)	(1,000)
Dividends paid		(1,753,971)	(1,902,755)
<b>Net cash flows used in financing activities</b>		(1,754,971)	(1,903,755)
<b>Increase in cash and cash equivalents</b>		(4,734,273)	5,985,085
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		29,842,114	24,302,648
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		510,618	64,999
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	33	25,618,459	30,352,732

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

# Consolidated Statement of Changes in Equity for the year ended December 31, 2008

	Share Capital	Share Premium	Statutory Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000							
Balance as at January 1, 2007	4,488,642	4,316,324	1,409,026	67,995	333,864	6,000	5,607,796	16,229,647
<b>Changes in equity during the year ended December 31, 2007</b>								
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	-	4,078,077	4,078,077
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	32,701	32,701
Net income recognised directly in equity	-	-	-	-	-	-	32,701	32,701
Total recognised income for the year ended December 31, 2007	-	-	-	-	-	-	4,110,778	4,110,778
Transfer to statutory reserve	-	-	815,232	-	-	-	(815,232)	-
Bonus issue for the year ended December 31, 2006 declared subsequent to year end @ 20%	897,728	(897,728)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end (Rs. 2.5 per Ordinary share)	-	-	-	-	-	-	(1,122,160)	(1,122,160)
Interim cash dividend for the year ended December 31, 2007 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(807,955)	(807,955)
Balance as at December 31, 2007 - Un-audited	5,386,370	3,418,596	2,224,258	67,995	333,864	6,000	6,973,227	18,410,310
<b>Changes in equity during the year ended December 31, 2008</b>								
Profit after taxation for the year ended December 31, 2008	-	-	-	-	-	-	4,093,861	4,093,861
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	17,541	17,541
Net income recognised directly in equity	-	-	-	-	-	-	17,541	17,541
Total recognised income for the year ended December 31, 2008	-	-	-	-	-	-	4,111,402	4,111,402
Transfer to statutory reserve	-	-	831,337	-	-	-	(831,337)	-
Bonus issue for the year ended December 31, 2007 declared subsequent to year end @ 20%	1,077,274	(1,077,274)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(807,955)	(807,955)
Interim cash dividend for the year ended December 31, 2008 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	(969,546)	(969,546)
Balance as at December 31, 2008 - Audited	6,463,644	2,341,322	3,055,595	67,995	333,864	6,000	8,475,791	20,744,211

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited.

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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### 1. STATUS AND NATURE OF BUSINESS

#### Allied Bank Limited ( the holding company)

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 766 (2007: 757) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

#### ABL Asset Management Company Limited (the subsidiary company)

ABL Asset Management Company Limited (the company) is a public unlisted company. The company was incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The company has obtained licenses on December 07, 2007 from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131[I] 2007 (the NBFC Rules, 2003). The company has received certificate of commencement of business on December 31, 2007. The registered office of the company is situated at 11-B Lalazar, M.T. Khan Road, Karachi.

### 2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company, for the year ended December 31, 2008.
- These are the first annual consolidated financial statements of the Bank. Although the subsidiary was incorporated in previous year, the Bank did not prepare consolidated financial statements for the year ended December 31, 2007, as it had received an exemption from SECP. The Bank has prepared these financial statements from the date of incorporation of subsidiary. Therefore, the prior year figures in these consolidated financial statements include the transactions and balances of the subsidiary after the eliminations of intra group transactions and balances.
- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- For the purpose of translation of US Dollar, the rates of Rs. 79.08 per US Dollar have been used for December 31, 2008.
- The consolidated financial statements are presented in Pakistan Rupees, which is the Bank's and its subsidiary's functional and presentation currency. The amounts are rounded to nearest thousand.

### (b) BASIS OF CONSOLIDATION

- The assets, liabilities, income and expenses of subsidiary company have been consolidated on a line by line basis.
- Material intra-group balances and transactions have been eliminated.

### (c) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts/ fair values as disclosed in their respective notes.

### 3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.
- 3.2** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.
- 3.3** The following new / revised standards, amendments and interpretations of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard of amendment.

	<b>Effective date (accounting periods beginning on or after)</b>
(i) IAS-1 (Revised) Presentation of Financial Statements *	January 01, 2009
(ii) IAS-23 (Revised) Borrowing Costs	January 01, 2009
(iii) IAS-27 - Consolidated and Separate Financial Statements	January 01, 2009
(iv) IAS-41 - Agriculture	January 01, 2009
(v) IFRS-3 - Business Combinations (Revised)	July 01, 2009
(vi) IFRS-8 - Operating Segments	January 01, 2009
(vii) IFRIC-13 - Customer Loyalty Programs	July 01, 2008
(viii) IFRIC-15 - Agreements for the Construction of Real Estate	January 01, 2009
(ix) IFRIC-16 - Hedges of Net Investment in a Foreign Operation	October 01, 2009
(x) IFRIC-17 - Distributions of Non Cash Assets to Owners	July 01, 2009
(xi) IFRIC-18 - Transfers of Assets from Customers	July 01, 2009

\* Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected once enforced by regulators.

The above standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after January 1, 2009 are either not relevant to the Bank's and its subsidiary's operations or are not expected to have significant impact on these consolidated financial statements other than certain increased disclosures in certain cases.

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that effect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's and its subsidiary's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 5.3)
- (b) valuation of derivatives (Note 5.15.2)
- (c) impairment (Note 5.11)
- (d) recognition of taxation and deferred tax (Note 5.6)
- (e) provisions (Note 5.3, 5.4, 5.12 and 9.3.2)
- (f) accounting for post employment benefits (Note 5.7 and 35); and
- (g) calculation of depreciation, amortization and revaluation of operating fixed assets (Note 5.5)

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2007 and its subsidiary for the period ended December 31, 2007 and are enumerated as follows:

##### 5.1 Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

##### 5.2 Lendings to/borrowings from financial institutions

The Bank and its subsidiary enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

###### (a) Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as interest expense.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the contract and recorded as interest income.

Other borrowings including borrowing from SBP are recorded at the proceeds received. Markup on such borrowing is charged to the profit and loss account on a time proportion basis.

### 5.3 Investments

The Bank and its subsidiary at the time of purchase classifies its investment portfolio into the following categories, which are initially recognized at cost, being the fair value of the consideration given including the acquisition cost except the held for trading investments.

#### (a) Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

#### (b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank and its subsidiary has the positive intent and ability to hold to maturity.

#### (c) Available for sale

These are investments other than those in subsidiaries, that do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity and investments in subsidiaries, are carried at market value. Investments classified as held to maturity are required to be carried at amortized cost whereas investments in subsidiaries are carried at cost less impairment losses, if any.

The unrealized surplus/(deficit) arising on revaluation of the Bank's and its subsidiary's held for trading investment portfolio is taken to the profit and loss account.

The surplus/(deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus/(deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited/charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

Associates as defined under local statutes but not under IAS are accounted for as ordinary investments.

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank and its subsidiary commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 5.4 Advances (including net investment in finance lease)

Advances are stated net of general and specific provisions. Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. General provision is maintained on consumer portfolio in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account.

Leases, where the Bank and its subsidiary transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

Advances are written off when there are no realistic prospects of recovery.

### 5.5 Operating fixed assets and depreciation

#### Tangible assets

Property and equipment owned by the Bank and its subsidiary, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.



Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 11.2. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and its subsidiary and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

#### **Intangible assets**

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.3. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment losses, if any.

### **5.6 Taxation**

#### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments finalised during the year for such years.

#### **Deferred**

Deferred tax is recognized on all major temporary differences, tax credits and unused tax losses at the balance sheet date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The Bank and its subsidiary also recognizes a deferred tax asset/liability on deficit/surplus on revaluation of fixed assets and securities which is adjusted against the related deficit/surplus in accordance with the requirements of IAS-12 "Income Taxes".

### **5.7 Staff retirement and other benefits**

#### **Allied Bank Limited (the holding company)**

#### **5.7.1 Staff retirement schemes**

##### **a) For employees who opted for the new scheme introduced by the management:**

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary service and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed 10 years of service as on June 30, 2002; and

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

A Contributory Provident Fund scheme with the Bank making equal contribution to that made by employees (defined contribution scheme).

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### b) For employees who did not opt for the new scheme, the Bank continues to operate the following:

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of service as on June 30, 2002; and

A contributory benevolent fund for all its employees (defined benefit scheme).

### c) Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses arising from experience adjustments and changes in actuarial assumptions are amortized over the future expected remaining working lives of the employees, to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date (before deducting plan assets) and ten percent of the fair value of any plan assets at that date.

## 5.7.2 Other benefits

### a) Employees' compensated absences

The Bank provides for its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses are amortized over the future expected average remaining lives of the employees, to the extent of ten percent of the present value of the defined benefit obligations at that date.

### ABL Asset Management Company Limited (the subsidiary company)

The subsidiary operates an unapproved provident fund for its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees at the rate of 10% each of the basic salary per month.

## 5.8 Assets acquired in satisfaction of claims

The Bank and its subsidiary occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.

## 5.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Markup accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

## 5.10 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Markup accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

## 5.11 Impairment

At each balance sheet date, the Bank and its subsidiary review the carrying amount of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except to the impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

## 5.12 Provisions

Provisions are recognized when the Bank and its subsidiary have a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

## 5.13 Dividend distributed or appropriated

Stock, cash dividend and other appropriations (except the appropriations which are required by law) declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in consolidated financial statements of the current year. These are recognized in the period in which these are declared.

**5.14 Foreign currencies**

**a) Foreign currency transactions**

Transactions in foreign currencies (other than the results of operations of foreign operations discussed in note 5.14.b) are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

**b) Foreign operation**

The assets and liabilities of a foreign branch are translated to rupees at exchange rates prevailing at the balance sheet date.

The results of operations of foreign branch are translated to rupees at the average rate of exchange for the year.

**c) Translation gains and losses**

Translation gains and losses are included in the profit and loss account.

**d) Commitments**

Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

**5.15 Financial instruments**

**5.15.1 Financial assets and liabilities**

Financial instruments carried on the balance sheet include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, sub-ordinated loan and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

**5.15.2 Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

**5.16 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in these consolidated financial statements when there is a legally enforceable right to set off and the Bank and its subsidiary intend to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**5.17 Revenue recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Bank and its subsidiary and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

**a) Advances and investments**

Markup/return on regular loans/advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or markup recoverable on classified loans and advances and investments is recognized on receipt basis. Interest/return/mark-up on rescheduled/restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

**b) Lease financing**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains/losses on termination of lease contracts and other lease income are recognized when realized.

**c) Fees, brokerage and commission**

Fees, brokerage and commission on letters of credit/guarantee are recognized on an accrual basis. Account maintenance and service charges are recognized when realized.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### 5.18 Segment reporting

A segment is a distinguishable component of the Bank and its subsidiary that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's and its subsidiary's functional structure and the guidance of State Bank of Pakistan. The Bank and its subsidiary comprise of the following main business segments:

#### 5.18.1 Business segments

##### a) Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

##### b) Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

##### c) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

##### d) Commercial banking

This includes loans, deposits and other transactions with corporate customers.

##### e) Payment and settlement

This includes payments and collections, funds transfer, clearing and settlement with the customers.

##### f) Asset management

This includes asset management, investment advisory, portfolio management and equity research.

#### 5.18.2 Geographical segments

The Bank and its subsidiary conducts all its operations, including the operations of EPZ Karachi branch, in Pakistan.

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		5,230,889	5,532,516
Foreign currencies		530,383	347,435
<b>Remittances in transit</b>		761,989	692,499
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	10,432,813	19,151,260
Foreign currency current account	6.2	1,792	3,055
Foreign currency deposit accounts			
- Non remunerative		851,495	620,930
- Remunerative	6.3	2,554,486	620,930
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		3,251,073	2,726,301
<b>National Prize Bonds</b>			
		38,834	44,952
		<u>23,653,754</u>	<u>29,739,878</u>

6.1 Deposits with the SBP are maintained to comply with the statutory requirements issued from time to time.

6.2 This represents US Dollar Settlement Account maintained with SBP.

6.3 This represents special cash reserve maintained with the SBP. The special cash reserve carries mark-up at the rate of 0.90% (2007: 3.71% and 4.72%) per annum.

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		284	284
On deposit accounts		832	-
<b>Outside Pakistan</b>			
On current accounts	7.1	2,096,495	668,165
		<u>2,097,611</u>	<u>668,449</u>

7.1 Included in nostro accounts are balances, aggregating to Rs. 372.416 million (2007: Rs. 86.82 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	100,000	1,500,000
Letters of placement	8.2	736,000	1,850,000
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.5	14,957,183	12,924,241
Certificates of investment		-	2,145,000
		<u>15,793,183</u>	<u>18,419,241</u>

8.1 This is an unsecured lending to Financial Institution, carrying mark-up at the rate of 15.40% (2007: 10.00% to 12.00%) per annum and will mature on January 02, 2009.

8.2 These are clean placements with Non-Banking Finance Companies, carrying mark-up at rates, ranging between 18.90% and 20.00% (2007: 9.75% and 10.30%) per annum and will mature on various dates, latest by February 02, 2009.

8.3 These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging between 10.00 % and 14.90 % (2007: 9.10% and 9.40%) per annum and will mature on various dates, latest by January 31, 2009.

		December 31, 2008 Audited	December 31, 2007 Un-audited
<b>8.4 Particulars of lending</b>			
In local currency		15,793,183	18,419,241
In foreign currencies		-	-
		<u>15,793,183</u>	<u>18,419,241</u>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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### 8.5 Securities held as collateral against lending to financial institutions

	December 31, 2008			December 31, 2007		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
	Audited			Un-Audited		
Market Treasury Bills	14,957,183	-	14,957,183	12,924,241	-	12,924,241

### 9. INVESTMENTS

Note	December 31, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
	Audited			Un-audited		

#### 9.1 Investments by types

##### Held-for-trading securities

Units of open end mutual funds	96,416	-	96,416	-	-	-
Ordinary shares of listed companies	-	-	-	33,860	-	33,860
	96,416	-	96,416	33,860	-	33,860

##### Available-for-sale securities

Market Treasury Bills	26,512,476	8,197,541	34,710,017	24,936,479	12,543,383	37,479,862
Pakistan Investment Bonds	445,580	-	445,580	444,758	-	444,758
Ordinary shares/certificates of listed companies	6,863,698	-	6,863,698	1,601,605	-	1,601,605
Preference shares of listed companies	250,000	-	250,000	275,000	-	275,000
Units of open end mutual funds	12,761,149	-	12,761,149	19,606,845	-	19,606,845
Ordinary shares of unlisted companies	544,822	-	544,822	82,099	-	82,099
Ordinary shares of unlisted companies - (related parties)	447,853	-	447,853	451,219	-	451,219
Pre IPO investments	35,000	-	35,000	2,514,900	-	2,514,900
Privately placed investments	-	-	-	1,890,918	-	1,890,918
Sukuk Bonds	2,686,250	-	2,686,250	2,420,000	-	2,420,000
Term finance certificates (TFCs)	7,733,386	-	7,733,386	736,636	-	736,636
	58,280,214	8,197,541	66,477,755	54,960,459	12,543,383	67,503,842

##### Held-to-maturity securities

Pakistan Investment Bonds	9,084,116	-	9,084,116	11,108,762	-	11,108,762
Foreign Currency Bonds (US\$)	137,767	-	137,767	160,010	-	160,010
TFCs, Debentures, Bonds and Participation Term Certificates (PTCs)	10,682,356	-	10,682,356	4,903,356	-	4,903,356
	19,904,239	-	19,904,239	16,172,128	-	16,172,128

##### Investment at cost

Less: Provision for diminution in value of investments	9.3	(2,015,042)	-	(2,015,042)	(192,290)	-	(192,290)
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<b>Investments (Net of Provisions)</b>		76,265,827	8,197,541	84,463,368	70,974,157	12,543,383	83,517,540
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Unrealized gain / (loss) on revaluation of Held-for-trading securities	9.5	3,201	-	3,201	(1,463)	-	(1,463)
(Deficit) / surplus on revaluation of Available-for-sale securities	9.3.2 & 21.2	(2,032,608)	37	(2,032,571)	(40,628)	(16,986)	(57,614)
		74,236,420	8,197,578	82,433,998	70,932,066	12,526,397	83,458,463



	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>9.2</b>	<b>Investments by segments</b>		
	<b>Federal Government Securities:</b>		
	- Market Treasury Bills	34,710,017	37,479,862
	- Pakistan Investment Bonds	9,529,696	11,553,520
	- Foreign Currency Bonds (US\$)	137,767	160,010
	- Ijara Sukuk Bonds	100,000	-
	<b>Fully Paid up Ordinary Shares:</b>		
	- Listed Companies	6,863,698	1,635,465
	- Unlisted Companies	992,675	533,318
	<b>Units of Open End Mutual Funds</b>	12,857,565	19,606,845
	<b>Fully paid up Preference Shares</b>	250,000	275,000
	<b>Pre IPO Investments</b>	35,000	2,514,900
	<b>Privately placed Investments</b>	-	1,890,918
	<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>		
	Term Finance Certificates		
	-Listed	2,247,003	1,013,140
	-Unlisted	12,104,344	1,744,476
	Debentures	63,479	65,184
	Bonds - Government guaranteed	410,280	410,280
	- Others(Sukuk)	6,171,250	4,820,000
	Participation Term Certificates	5,636	6,912
	<b>Total investments at cost</b>	86,478,410	83,709,830
	Less: Provision for diminution in the value of investment	(2,015,042)	(192,290)
	<b>Investments (Net of Provisions)</b>	84,463,368	83,517,540
	Unrealized gain / (loss) on revaluation of Held-for-trading securities	3,201	(1,463)
	Deficit on revaluation of Available-for-sale securities	(2,032,571)	(57,614)
		82,433,998	83,458,463

**9.2.1** Included herein are Market Treasury Bills having a book value of Rs. 7,866.140 million (2007: Rs.12,231.580 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.2** Included herein are Market Treasury Bills having a face value of Rs.339.800 million (2007: Rs. 339.800 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

**9.2.3** These represent 17,500,000 (2007: 20,000,000) KIBOR plus 2% Cumulative Preference Shares of Masood Textile Mills Limited, with Call Option available to the issuer and Conversion Option available to the Bank, after completion of four years from the date of issue, i.e., June 29, 2005 and 7,500,000 (2007: 7,500,000) KIBOR plus 2.5% Cumulative Preference Shares of Fazal Cloth Mills Limited having redemption term within 60 days after completion of 5 years from the date of issue, i.e., May 13, 2006.

**9.2.4** Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the financial statements under SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "I".

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>9.3</b>	<b>Particulars of Provision</b>		
	Opening balance	192,290	203,038
	Charge for the year	1,842,418	9,130
	Reversals	(2,169)	(8,411)
	Net charge	1,840,249	719
	Amounts written off	(17,497)	(11,467)
	Closing balance	2,015,042	192,290

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>9.3.1 Particulars of Provision in respect of Type and Segment</b>			
<b>By Type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares/certificates of listed companies	9.3.2	1,805,312	59,543
Ordinary shares of unlisted companies		48,017	13,873
		1,853,329	73,416
<b>Held-to-maturity securities</b>			
TFCs, Debentures, Bonds and PTCs		161,713	118,874
		2,015,042	192,290
<b>By Segment</b>			
<b>Fully Paid up Ordinary Shares/Certificates:</b>			
- Listed companies		1,805,312	59,543
- Unlisted companies		48,017	13,873
		1,853,329	73,416
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Bonds		50,000	-
Term Finance Certificates		42,598	46,778
Debentures		63,479	65,184
Participation Term Certificates		5,636	6,912
		161,713	118,874
		2,015,042	192,290

**9.3.2** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at December 31, 2008 has been determined at Rs. 3,664.169 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Since full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Bank and its subsidiary, therefore the management on the basis of their estimates and prudence has made a provision of Rs. 1,745.774 million against the above amount.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	December 31, 2008 Rupees in '000
Increase in 'Impairment Loss' in Profit and Loss Account	1,918,395
Decrease in tax charge for the year	650,740
Decrease in profit for the year - after tax	1,267,655
	<b>Rupees</b>
Decrease in earnings per share -after tax (basic and diluted)	1.96
	<b>Rupees in '000</b>
Decrease in deficit on revaluation of available for sale securities	1,918,395
Decrease in unappropriated profit	1,267,655

**9.4 Quality of Available for Sale Securities**

Information relating to quality of available for sale securities required to be disclosed as part of the financial statements under SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "I".

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>9.5 Unrealized gain / (loss) on revaluation of investments classified as held for trading</b>			
Units of open end mutual funds		3,201	-
Ordinary shares of listed companies		-	(1,463)
		3,201	(1,463)
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		215,781,261	170,743,654
Net investment in finance lease - in Pakistan	10.2	768,173	741,148
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,738,019	1,455,922
Payable outside Pakistan		5,400,424	3,256,536
		7,138,443	4,712,458
		223,687,877	176,197,260
Financing in respect of continuous funding system (CFS)	10.3	-	2,327,097
Advances - gross		223,687,877	178,524,357
Provision for non-performing advances	10.5.1	(10,657,709)	(10,103,954)
General provision for consumer financing	10.5.2	(10,060)	(13,123)
Advances - net of provision		213,020,108	168,407,280
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		222,136,383	173,222,434
In foreign currencies		1,551,494	5,301,923
		223,687,877	178,524,357
<b>10.1.2</b> Short term (for upto one year)		158,662,959	122,134,447
Long term (for over one year)		65,024,918	56,389,910
		223,687,877	178,524,357

**10.2 Net investment in finance lease**

	December 31, 2008				December 31, 2007			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
	Audited				Un-audited			
Lease rentals receivable	339,039	435,861	-	774,900	332,529	374,697	-	707,226
Residual value	34,938	110,452	-	145,390	33,341	108,030	-	141,371
Minimum lease payments	373,977	546,313	-	920,290	365,870	482,727	-	848,597
Financial charges for future periods	(67,925)	(84,192)	-	(152,117)	(63,243)	(44,206)	-	(107,449)
Present value of minimum lease payments	306,052	462,121	-	768,173	302,627	438,521	-	741,148

**10.3** This represents secured financing in respect of purchase of shares from the CFS market. CFS financing is Nil as at December 31, 2008.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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- 10.4** Advances include Rs. 13,771.895 million (2007: Rs. 11,354.923 million) which have been placed under non-performing status as detailed below:-

Category of Classification	December 31, 2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Audited									
Other Assets Especially Mentioned *	40,689	-	40,689	-	-	-	-	-	-
Substandard	3,805,228	-	3,805,228	950,134	-	950,134	950,134	-	950,134
Doubtful	722,223	-	722,223	361,111	-	361,111	361,111	-	361,111
Loss	9,203,755	-	9,203,755	9,201,191	-	9,201,191	9,201,191	-	9,201,191
	13,771,895	-	13,771,895	10,512,436	-	10,512,436	10,512,436	-	10,512,436

Category of Classification	December 31, 2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Un-audited									
Other Assets Especially Mentioned *	32,765	-	32,765	-	-	-	-	-	-
Substandard	1,311,832	-	1,311,832	327,091	-	327,091	327,091	-	327,091
Doubtful	532,967	-	532,967	265,960	-	265,960	265,960	-	265,960
Loss	9,477,359	-	9,477,359	9,365,630	-	9,365,630	9,365,630	-	9,365,630
	11,354,923	-	11,354,923	9,958,681	-	9,958,681	9,958,681	-	9,958,681

\* This represents non-performing portfolio of agricultural financing classified as Other Assets Especially Mentioned as per the requirements of the Prudential Regulation for Agricultural Financing issued by SBP.

### 10.5 Particulars of provision against non-performing advances

- 10.5.1** This represents provision against non-performing advances amounting to Rs. 10,512.436 million and a provision of Rs. 145.273 million made against Japan Power Generation Limited without changing its status to non-performing as per SBP Directive No. BID (Insp)/722/71-02-2007 dated March 14, 2007.

#### 10.5.2

Note	December 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Audited						
Un-audited						
Opening balance	9,958,681	13,123	9,971,804	7,657,737	14,047	7,671,784
Charge for the year	2,246,227	-	2,246,227	3,277,330	-	3,277,330
Reversals	(871,009)	(3,063)	(874,072)	(708,743)	(924)	(709,667)
Charged to profit and loss account	1,375,218	(3,063)	1,372,155	2,568,587	(924)	2,567,663
Amounts written off	(821,463)	-	(821,463)	(267,643)	-	(267,643)
Closing balance	10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804

### 10.5.3 Particulars of provisions against non-performing advances

	December 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Audited						
Un-audited						
In local currency	10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804
In foreign currencies	-	-	-	-	-	-
	10,512,436	10,060	10,522,496	9,958,681	13,123	9,971,804

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>10.6</b>	<b>Particulars of write offs:</b>		
<b>10.6.1</b>	Against provisions	821,463	267,643
	Directly charged to Profit and Loss account	2,736	1,187
		824,199	268,830
<b>10.6.2</b>	Write Offs of Rs. 500,000 and above	764,958	193,851
	Write Offs of Below Rs. 500,000	59,241	74,979
		824,199	268,830

**10.7 Details of loan write off of rs. 500,000/- And above**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2008 is given in Annexure "II". However, this write off does not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>10.8</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	4,237,006	4,200,854
	Loans granted during the year	1,012,361	791,123
	Repayments	(319,896)	(754,971)
	Balance at end of the year	4,929,471	4,237,006

Details of loans and advances to associates, subsidiary and other related parties are given in note 40.

**11. OPERATING FIXED ASSETS**

	Capital work-in-progress	11.1	1,544,443	833,526
	Property and equipment	11.2	9,494,420	6,680,314
	Intangible assets	11.3	111,266	38,008
			11,150,129	7,551,848
<b>11.1</b>	<b>Capital work-in-progress</b>			
	Civil works		975,109	464,465
	Equipment		213,490	81,610
	Advances to suppliers and contractors		355,844	287,451
			1,544,443	833,526

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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### 11.2 Property and equipment

Description	Note	Cost/Revaluation				Accumulated Depreciation				Net book value at December 31, 2008	Annual rate of depreciation %
		At January 1, 2008	Additions/ (deletions)	Revaluation Surplus	Write-off 2008	At December 31, 2008	Charge for the year/ adjustment/ (depreciation on deletions)	Revaluation Surplus	Write-off 2008		
Land-Freehold	11.4	3,128,041	567,671	580,263	-	4,275,975	-	-	-	4,275,975	-
Land-Leasehold	11.4	910,161	64,729	449,508	-	1,424,398	-	-	-	1,424,398	-
Buildings-Freehold	11.4	626,545	197,097	-	-	823,642	74,143	31,652	(56,712)	774,559	5
Buildings-Leasehold	11.4	1,184,099	207,036	234,835	-	1,625,970	139,889	51,506	(191,395)	1,625,970	5
Furniture and fixtures		386,892	38,826	-	(93,757)	281,261	287,507	20,405	(85,947)	105,016	10
Electrical, office and computer equipment		1,500,601	628,075	-	(90,497)	1,930,017	849,181	241,756	(90,466)	1,028,070	14.28 - 50
Vehicles		349,060	106,495	-	(13,310)	235,302	137,302	40,688	(10,580)	142,295	20
Building improvements (rented premises)		111,070	70,270	-	(24,705)	153,915	28,133	23,824	(14,565)	118,137	20
			(2,720)			(1,614)					
<b>Total</b>		<b>8,196,469</b>	<b>1,880,199</b>	<b>1,264,606</b>	<b>(222,269)</b>	<b>10,750,480</b>	<b>1,516,155</b>	<b>409,831</b>	<b>(201,558)</b>	<b>1,256,060</b>	<b>9,494,420</b>
			<b>(368,525)</b>			<b>(220,261)</b>		<b>(248,107)</b>			

**Rupees in ' 000**  
**Audited**



Description	Cost/Revaluation				Accumulated Depreciation				Net book value at December 31, 2007	Annual rate of depreciation %		
	At January 1, 2007	Additions/ (deletions)	Revaluation Surplus	Write-off	At December 31, 2007	At January 1, 2007	Charge for the year/ adjustment/ (depreciation on deletions)	Revaluation Surplus			Write-off	At December 31, 2007
	<b>Rupees in ' 000</b>											
	<b>Un-audited</b>											
Land-Freehold	2,801,396	341,098 (14,453)	-	-	3,128,041	-	-	-	-	-	3,128,041	-
Land-Leasehold	902,771	7,390	-	-	910,161	-	-	-	-	-	910,161	-
Buildings-Freehold	585,004	41,541	-	-	626,545	42,105	32,038	-	-	74,143	552,402	5
Buildings-Leasehold	953,378	230,721	-	-	1,184,099	94,488	45,401	-	-	139,889	1,044,210	5
Furniture and fixtures	361,256	36,633 (10,997)	-	-	386,892	275,286	20,825 (8,604)	-	-	287,507	99,385	10
Electrical, office and computer equipment	1,149,681	367,964 (17,044)	-	-	1,500,601	703,797	162,301 (16,917)	-	-	849,181	651,420	14.28 - 50
Vehicles	348,509	78,375 (77,824)	-	-	349,060	125,708	57,667 (46,073)	-	-	137,302	211,758	20
Building improvements (rented premises)	52,095	58,975	-	-	111,070	13,320	14,813	-	-	28,133	82,937	20
Total	7,154,090	1,162,697 (120,318)	-	-	8,196,469	1,254,704	333,045 (71,594)	-	-	1,516,155	6,680,314	

**11.3 Intangible assets**

Description	Cost		Accumulated Amortization		Net book value at December 31, 2008	Rate of amortization %
	At January 1, 2008	Additions/ (Deletions)	At January 1, 2008	At December 31, 2008 (Amortization on deletions)		
Computer software	73,640	86,004	35,632	12,746	48,378	111,266 14.28 - 2.5
	<b>(Rupees in ' 000)</b>					
	<b>Audited</b>					
Description	Cost		Accumulated Amortization		Net book value at December 31, 2007	Rate of amortization %
	At January 1, 2007	Additions/ (Deletions)	At January 1, 2007	At December 31, 2007 (Amortization on deletions)		
Computer software	56,890	17,020 (270)	27,212	8,690 (270)	35,632	38,008 14.28
	<b>(Rupees in ' 000)</b>					
	<b>Un-audited</b>					

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

- 11.4** As at December 31, 2008, the Bank arranged for valuation of properties from five independent valuers (Akbari & Javed Associates, Progressive Architects & Engineers, Jasper & Jasper, Hasib Associates (Pvt.) Ltd. and Consultancy Support & Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 1,512.713 million, as at December 31, 2008. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2008	December 31, 2007
	Rupees in '000	
	Audited	Un-audited
- Land	3,515,042	1,647,571
- Building	1,332,304	477,795

For information regarding location of revalued properties, refer Annexure III.

- 11.5** Fair value of property and equipment including land and buildings is not materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2008 and are carried at market value.

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
		Audited	Un-audited
<b>11.6</b> Effect in the current year on profit and loss account of surplus arising on revaluation of buildings carried out in the year 2005	21.1	26,987	28,408
<b>11.7</b> Restriction/discrepancy in the title of property having a net book value of		71,975	26,311
<b>11.8</b> Carrying amount of temporarily idle property and equipment		24,438	46,978
<b>11.9</b> The gross carrying amount of fully depreciated/amortized assets that are still in use			
Furniture and fixtures		92,172	153,850
Electrical, office and computer equipment		406,480	556,370
Vehicles		12,989	36,799
Intangible assets - software		17,752	4,668
<b>11.10</b> The carrying amount of property and equipment that have retired from active use and are held for disposal		-	134
<b>11.11</b> Fixed assets include a plot at carrying value of Rs. 31 million, which is acquired with the funds of the Bank and held in the name of Mohammad Waseem Mukhtar, a Director of the Bank.			
<b>11.12</b> The details of disposals of assets whose original cost or book value exceeds rupees one million or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "III".			
<b>11.13</b> Information relating to sale of fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "III".			

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>12. DEFERRED TAX ASSETS - NET</b>			
<b>Deferred debits arising in respect of</b>			
Compensated leave absences		244,254	306,312
Provision against:			
Investments		82,293	67,302
Other assets		310,498	246,236
Off balance sheet obligations		169,525	102,736
Post retirement medical benefits		351,653	411,520
Deficit on revaluation of investments	21.2	690,817	20,165
Tax loss		3,534	-
		<b>1,852,574</b>	<b>1,154,271</b>
<b>Deferred credits arising due to</b>			
Surplus on revaluation of fixed assets	21.1	(348,590)	(189,006)
Accelerated tax depreciation / amortization		(425,499)	(219,290)
Excess of investment in finance lease over written down value of leased assets		(47,436)	(83,559)
		<b>(821,525)</b>	<b>(491,855)</b>
		<b>1,031,049</b>	<b>662,416</b>

**12.1 Reconciliation of deferred tax**

	Balance as at January 01, 2007	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2007	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2008
Rupees in '000							
	Audited			Un-audited			
<b>Deferred debits arising in respect of</b>							
Compensated leave absences	323,887	(17,575)	-	306,312	(62,058)	-	244,254
Provision against:							
Investments	48,209	19,093	-	67,302	14,991	-	82,293
Other assets	208,276	37,960	-	246,236	64,262	-	310,498
Off balance sheet obligations	88,804	13,932	-	102,736	66,789	-	169,525
Post retirement medical benefits	368,539	42,981	-	411,520	(59,867)	-	351,653
Deficit on revaluation of investments	6,284	-	13,881	20,165	-	670,652	690,817
Tax loss	-	-	-	-	3,534	-	3,534
	<b>1,043,999</b>	<b>96,391</b>	<b>13,881</b>	<b>1,154,271</b>	<b>27,651</b>	<b>670,652</b>	<b>1,852,574</b>
<b>Deferred credits arising due to</b>							
Surplus on revaluation of fixed assets	(198,948)	9,942	-	(189,006)	9,446	(169,030)	(348,590)
Accelerated tax depreciation / amortization	(109,239)	(110,051)	-	(219,290)	(206,209)	-	(425,499)
Excess of investment in finance lease over written down value of leased assets	(97,643)	14,084	-	(83,559)	36,123	-	(47,436)
	<b>(405,830)</b>	<b>(86,025)</b>	<b>-</b>	<b>(491,855)</b>	<b>(160,640)</b>	<b>(169,030)</b>	<b>(821,525)</b>
	<b>638,169</b>	<b>10,366</b>	<b>13,881</b>	<b>662,416</b>	<b>(132,989)</b>	<b>501,622</b>	<b>1,031,049</b>

**12.2** Through Finance Act 2007, a new section 100A read with the 7th Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008).

The 7th Schedule does not contain transitory provisions to deal with the disallowances made upto the year ended December 31, 2007. This issue has been taken up with the tax authorities through Pakistan Bankers Association for formulation of transitory provisions to deal with the items which were previously treated differently under the then applicable provisions.

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007 is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
		Audited	Un-audited
<b>13. OTHER ASSETS</b>			
Income/Mark-up accrued on advances, investments and lendings to financial institutions:			
- in local currency		8,144,303	4,011,197
- in foreign currencies		47,459	88,620
Advances, deposits, advance rent and other prepayments		1,424,713	711,878
Advance taxation (payments less provisions)		6,217,808	4,508,192
Stationery and stamps on hand		36,857	48,038
Prepaid exchange risk fee		-	24
Due from the employees' retirement benefit schemes	35.4	1,500,476	1,278,200
Unrealized gain on forward foreign exchange contracts		-	53,995
Excise duty		11	11
Receivable from SBP - customers encashments		214,858	58,497
Non banking assets acquired in satisfaction of claims	13.1	83,342	-
Suspense account		512,096	622,568
Others		93,827	21,289
		18,275,750	11,402,509
Less: Provision held against other assets	13.2	(887,138)	(703,530)
Other assets (net of provision)		17,388,612	10,698,979
<b>13.1</b>	Market value of non banking assets acquired in satisfaction of claims	96,523	-
<b>13.2</b>	<b>Provision against other assets</b>		
Opening balance		703,530	595,075
Charge for the year		214,284	458,206
Reversals		-	(338,627)
Net charge		214,284	119,579
Written off		(30,676)	(11,124)
Closing balance		887,138	703,530
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2008 and December 31, 2007.			
<b>15. BILLS PAYABLE</b>			
In Pakistan		2,948,435	3,490,329
Outside Pakistan		4,055	4,055
		2,952,490	3,494,384
<b>16. BORROWINGS</b>			
In Pakistan		27,645,245	22,878,061
Outside Pakistan		132,906	55,595
		27,778,151	22,933,656
<b>16.1 Particulars of borrowings with respect to Currencies</b>			
In local currency		27,645,245	22,878,061
In foreign currencies		132,906	55,595
		27,778,151	22,933,656

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>16.2</b>	<b>Details of borrowings (Secured/Unsecured)</b>		
	<i>Secured</i>		
	Borrowings from financial institutions	-	15,000
	Borrowings from State Bank of Pakistan		
	Under export refinance scheme	7,446,616	4,509,834
	LTF - EOP	3,800,535	4,021,644
		11,247,151	8,531,478
	Repurchase agreement borrowings	7,798,094	12,231,583
	<i>Unsecured</i>		
	Call borrowings	8,600,000	2,100,000
	Overdrawn nostro accounts	132,906	55,595
		8,732,906	2,155,595
		27,778,151	22,933,656
<b>16.3</b>	The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. These carry interest at the rate of 7.5% (2007: 6.5%) per annum. These borrowings are repayable within six months from the deal date.		
<b>16.4</b>	This represents Long Term Financing against Export Oriented Projects (LTF-EOP) availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 7.5 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 7% (2007: ranging between 4% and 5%) per annum.		
<b>16.5</b>	These represent funds borrowed from the local interbank market against government securities, carrying mark-up at rates, ranging between 9% and 14% (2007: 9.35% and 10.00%) per annum maturing on various dates, latest by January 13, 2009.		
<b>16.6</b>	These represent unsecured borrowings from the local interbank market, carrying mark-up at rates, ranging between 13.5% and 16.5% (2007: 9.30% and 10.25%) per annum maturing on various dates, latest by April 01, 2009.		

	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000		
<b>17.</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>	
	<b>Customers</b>	
	Fixed deposits	72,464,363
	Savings deposits	71,250,854
	Current accounts - Remunerative	42,301,009
	- Non-remunerative	67,742,105
		253,758,331
	<b>Financial Institutions</b>	
	Remunerative deposits	9,711,263
		263,469,594
<b>17.1</b>	<b>Particulars of deposits</b>	
	In local currency	249,577,016
	In foreign currencies	13,892,578
		263,469,594

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

	December 31, 2008	December 31, 2007
	Audited	Un-audited
<b>18. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - Unsecured	2,498,000	2,499,000

The Bank has issued unsecured sub-ordinated Term Finance Certificates, which will contribute towards Tier II capital for minimum capital requirements (MCR) as per guidelines set by the SBP, under BSD Circular No. 12, dated August 24, 2004, to support the Bank's growth. All the regulatory approvals were obtained in December 2006. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The rate of return is based on the Karachi Interbank Offer Rate (KIBOR) prevailing on the last working day before the beginning of each semi annual redemption period plus 1.9% (no floor, no cap). 0.24% of the principal shall be redeemed in the first 72 months and the remaining principal shall be redeemed in 4 equal semi-annual installments of 24.94% each of the Issue amount respectively, starting from the 78th month.

Other salient features of the issue are as follows:

Total issue :	Rs. 2,500 million
Rating :	A
Listing :	Karachi Stock Exchange (Guarantee) Ltd.
Repayment :	8 Years (2007 – 2014)
Profit payment :	Semi annually in arrears (365 day basis)

	Note	December 31, 2008	December 31, 2007
		Audited	Un-audited
<b>19. OTHER LIABILITIES</b>			
Mark-up/Return/Interest payable in local currency		3,670,054	1,223,529
Mark-up/Return/Interest payable in foreign currency		14,180	12,323
Accrued expenses		441,751	366,974
Branch adjustment account		1,393,662	1,807,988
Payable on account of purchase of investments		431,150	251,174
Unrealized loss on forward foreign exchange contracts		179,800	-
Provision for:			
gratuity	35.4	90,845	90,845
employees' medical benefits	35.4	1,277,755	1,175,772
employees' compensated absences	35.12	832,215	875,178
Unclaimed dividends		49,435	25,369
Dividend payable		5,961	6,497
Provision against off-balance sheet obligations	19.1	484,356	293,532
Retention money payable		63,817	35,930
Security deposits against lease		153,910	144,881
Pre IPO proceeds	19.2	3,000,000	-
Others		1,540,470	1,019,767
		13,629,361	7,329,759
<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		293,532	253,727
Charge for the year		216,776	41,853
Reversals		(25,952)	(2,048)
Net charge		190,824	39,805
Closing balance		484,356	293,532

The above provision has been made against letters of guarantee issued by the Bank.

**19.2** The Bank is in the process to issue second TFC amounting to Rs. 4 billion out of which, Rs. 3 billion had been raised through Pre IPO and Rs. 1 billion will be offered for subscription through IPO for which SECP approval is awaited. As of December 31, 2008 Rs. 3 billion has been received as Pre IPO proceeds and are included in other liabilities.



**20. SHARE CAPITAL**

**20.1 Authorized capital**

December 31, 2008		December 31, 2007			December 31, 2008		December 31, 2007	
No. of shares		No. of shares			Rupees in '000		Rupees in '000	
Audited	Un-audited	Audited	Un-audited		Audited	Un-audited	Audited	Un-audited
1,000,000,000	1,000,000,000			Ordinary shares of Rs.10/- each	10,000,000	10,000,000		

**20.2 Issued, subscribed and paid-up capital**

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2008		December 31, 2007		Ordinary shares	December 31, 2008		December 31, 2007	
No. of shares		No. of shares			Rupees in '000		Rupees in '000	
Audited	Un-audited	Audited	Un-audited		Audited	Un-audited	Audited	Un-audited
406,780,094	406,780,094			Fully paid in cash	4,067,801	4,067,801		
222,035,681	114,308,294			Issued as bonus shares	2,220,357	1,143,083		
628,815,775	521,088,388				6,288,158	5,210,884		
				18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486		
9,148,550	9,148,550							
				8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000		
8,400,000	8,400,000				84,000	84,000		
646,364,325	538,636,938				6,463,644	5,386,370		

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 261,526,088 (40.46%) and 58,968,382 (9.12%) [(December 31, 2007: 170,379,240 (31.63%) and 47,473,652 (8.81%)] Ordinary shares of Rs.10 each, respectively, as at December 31, 2008.

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
		Audited	Un-audited
<b>21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus/(deficit) arising on revaluation of:			
- fixed assets	21.1	2,833,442	1,507,300
- securities	21.2	(1,341,754)	(37,449)
Surplus on revaluation of assets - net of tax		1,491,688	1,469,851
<b>21.1 Surplus on revaluation of Fixed Assets</b>			
Surplus on revaluation of fixed assets as at January 1		1,696,306	1,738,949
Surplus on revaluation of properties recorded during the year		1,512,713	-
Surplus realized on disposal of revalued properties		-	(14,235)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(17,541)	(18,466)
Related deferred tax liability		(9,446)	(9,942)
	11.6	(26,987)	(28,408)
Surplus on revaluation of fixed assets as at December 31		3,182,032	1,696,306
Less: Related deferred tax liability on :			
Revaluation as at January 1		189,006	198,948
Charge on revaluation during the year		169,030	-
Incremental depreciation charged during the year transferred to profit and loss account		(9,446)	(9,942)
		348,590	189,006
		2,833,442	1,507,300

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>21.2</b>	<b>Surplus/(Deficit) on revaluation of Available-for-sale securities</b>		
	<b>Federal Government Securities</b>		
	Market Treasury Bills	(7,932)	(62,104)
	Pakistan Investment Bonds	(50,562)	(2,577)
	<b>Term Finance Certificates - Listed</b>	(115,023)	19,921
	<b>Shares/Certificates - Listed</b>	(1,755,683)	(79,261)
	<b>Mutual Funds</b>	(103,371)	66,407
		(2,032,571)	(57,614)
	9.1 Less : Related deferred tax asset	690,817	20,165
		(1,341,754)	(37,449)
<b>22.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1</b>	<b>Direct credit substitutes</b>		
	Guarantees in favour of:		
	Banks and financial institutions	1,455,678	1,971,776
<b>22.2</b>	<b>Transaction-related contingent liabilities</b>		
	Guarantees in favour of:		
	Government	7,736,845	4,040,048
	Others	4,088,278	6,235,919
		11,825,123	10,275,967
<b>22.3</b>	<b>Trade-related contingent liabilities</b>	75,991,804	83,037,690
<b>22.4</b>	<b>Claims against the bank not acknowledged as debt</b>	5,155,293	3,729,869
<b>22.5</b>	The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
		December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>22.6</b>	<b>Commitments in respect of forward foreign exchange contracts</b>		
	Purchase	17,083,600	10,998,473
	Sale	4,831,414	4,763,749
<b>22.7</b>	<b>Commitments in respect of:</b>		
	Civil works	929,810	752,139
	Acquisition of operating fixed assets	145,987	168,654
<b>22.8</b>	<b>Commitments in respect of lease financing</b>	48,567	188,174
<b>22.9</b>	<b>Commitments in respect of:</b>		
	Forward lending	-	1,000,000
	Forward borrowing	-	-
		-	1,000,000
<b>22.10</b>	<b>Commitments in respect of lending against CFS</b>	-	733
<b>22.11</b>	<b>Commitments in respect of purchase of shares</b>	450,643	865,000
<b>22.12</b>	<b>Commitments in respect of procurement of software</b>	142,859	-
<b>22.13</b>	<b>Commitments in respect of purchase of T-Bills</b>	8,000,000	-

## 22.14 Other Contingencies

22.14.1 The Income tax assessments of the Bank have been finalized up to and including Tax Year 2008 for local operations and Azad Kashmir Operations.

- a) While finalizing income tax assessments up to the assessment year 2000-2001, the Income Tax Authorities made certain add backs with a tax impact of Rs. 219 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were set-aside with a tax impact of Rs. 125 million. The appeal effect orders with regard to the above matters are pending.
- b) While finalizing income tax assessments from Assessment Year 2001-2002 to Tax Year 2006, the Income Tax Authorities made certain add backs with tax impact amounting to Rs. 6,500 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were deleted and set-aside, by Appellate Authorities, with tax impact of Rs. 4,102 million and Rs. 2,398 million respectively. The appeal effect orders with regard to the above matters are pending.
- c) The assessment for Tax Year 2007 and 2008 have been finalized with net additional tax liability of Rs. 2,798 million. The Bank has filed appeals against the orders before the Appellate Authority.

Pending the finalization of the above-referred matters, no provision has been made by the Bank in an aggregate sum of Rs. 7,448 million in these consolidated financial statements. This sum includes tax liability, aggregating to Rs. 4,102 million, already deleted by the Appellate Authorities. Against most of the deleted and set-aside issues Income Department is in appeal before higher appellate authorities. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

22.14.2 As a result of a compromise decree granted by the Honourable High Court of Sindh in August 2002, Fateh Textile Mills Limited pledged 16,376,106 shares of ABL with the Bank as security consequent to the default by Fateh Textile Mills Limited on the terms of the decree. The Bank published a notice on June 23, 2004 in accordance with the requirements of section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and invited sealed bids from interested parties to purchase the pledged shares. The bidding process was scheduled for July 23, 2004 and the Bank had fixed a reserve price of Rs. 25 per share. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited had filed a suit against the Bank in the High Court of Sindh challenging the sale of the above shares. The High Court had not granted a stay order on the process of sale of shares. However, the matter is still pending in the Court.

## 23. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures

### Forward Exchange Contracts (with Importers and Exporters)

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed.

If the relevant exchange rate moves un-favourably, the Bank will lose money, and Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking forward position in inter-bank FX.

### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favourable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio, in both held for trading and available for sale, against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank.

The accounting policies used to recognize and disclose derivatives are given in note 5.15.2. The risk management framework of derivative instruments is given in note 42.

	December 31, 2008 Audited	December 31, 2007 Un-audited
	Rupees in '000	
<b>24. MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances	21,944,917	14,471,070
<b>On investments in:</b>		
Available for sale securities	5,185,187	3,332,119
Held to maturity securities	1,442,152	1,465,451
	6,627,339	4,797,570
On deposits with financial institutions	76,505	122,037
On securities purchased under resale agreements	1,526,640	1,114,717
On certificates of investment	45,362	296,385
On letters of placement	108,600	205,119
On call money lending	264,657	194,524
	30,594,020	21,201,422
<b>25. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	13,967,795	8,666,801
Long term borrowing	202,962	48,289
Securities sold under repurchase agreements	599,629	583,467
Other short term borrowings	1,074,941	408,912
Brokerage and commission	130,467	74,006
Markup on Term Finance Certificates	346,275	304,945
Markup on Pre - IPO proceeds	227,532	-
	16,549,601	10,086,420
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	1,985,274	1,654,654
Account maintenance charges	313,750	408,023
	2,299,024	2,062,677
<b>27. GAIN ON SALE OF SECURITIES</b>		
Federal Government Securities		
Market Treasury Bills	-	83
Shares - Listed	43,043	624,782
Shares - Unlisted	-	83,413
Open End Mutual Funds	99,557	720,256
Term Finance Certificates	7,937	10,853
	150,537	1,439,387
<b>28. OTHER INCOME</b>		
Gain on sale of operating fixed assets	9,889	14,297
Miscellaneous	50,045	63,138
	59,934	77,435

	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.1	4,902,213	3,507,530
Charge for defined benefit plan		2,701	97,778
Contribution to defined contribution plan - provident fund		137,585	128,359
Non-executive directors' fees, allowances and other expenses		1,750	515
Rent, taxes, insurance, electricity, etc.		742,083	599,376
Legal and professional charges		111,339	66,116
Communications		326,667	237,948
Repairs and maintenance		247,986	114,188
Stationery and printing		205,892	131,282
Advertisement and publicity		145,887	157,641
Auditors' remuneration	29.2	9,814	9,377
Depreciation/Amortization	11.2 & 11.3	422,577	341,736
Security service charges		273,423	143,797
Travelling, conveyance and fuel expenses		175,452	139,719
Entertainment		68,889	51,736
Computer expenses		174,832	145,158
Subscription		78,709	21,580
Donations	29.3	81,890	27,698
Others		35,817	26,443
		<b>8,145,506</b>	<b>5,947,977</b>

**29.1** During the year, the Bank offered Voluntary Retirement Scheme (VRS) to its employees. 318 employees of the Bank opted for retirement under this scheme. Total liability for these employees under this scheme for pension, gratuity, leave encashment, medical, benevolent and salary compensation benefits is worked out to Rs. 1,170 million. As a result the Bank has incurred Rs.486 million which is provided by the Bank during the year and is included in salaries, allowances etc.

**29.2 Auditors' remuneration**

	December 31, 2008			December 31, 2007		
	KPMG Taseer Hadi & Co.	M. Yousuf Adil Saleem & Co.	Total	M. Yousuf Adil Saleem & Co.	Ford Rhodes Sidat Hyder & Co.	Total
Rupees in '000						
	Audited			Un-audited		
Audit fee	2,600	2,600	5,200	1,650	1,650	3,300
Special certifications, half yearly reviews and sundry miscellaneous services	1,550	1,980	3,530	2,725	2,230	4,955
Out-of-pocket expenses	156	634	790	558	464	1,022
Auditor's remuneration - subsidiary	-	294	294	100	-	100
	<b>4,306</b>	<b>5,508</b>	<b>9,814</b>	<b>5,033</b>	<b>4,344</b>	<b>9,377</b>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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- 29.3 None of the directors, executives and their spouses had any interest in the donations disbursed during the year except for donation to National Management Foundation where one of the Bank's director is also member of Board of Governors of the organization. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

	Note	December 31,	December 31,
		2008	2007
		Rupees in '000	
		Audited	Un-audited
The Karachi Education Initiative		40,000	-
National Management Foundation		20,000	20,000
Capital City Police Force		13,990	-
Book group and Zindagi Trust		2,500	-
Care Foundation		1,000	200
Liver Foundation Trust		1,000	2,500
Agha Khan Hospital and Medical College Foundation		1,000	-
Abdus Sattar Edhi Foundation		500	-
Tamir Welfare Organization		500	248
M/s Lahore business Association		500	-
Ms.Mahwish Khan		300	-
Khoj Society for People's Education		250	-
M/s Tehzeeb Social Welfare		250	-
Shaukat Khanum Memorial Cancer Hospital and Research Centre		-	2,500
DHQ Hospital Dera Ghazi Khan		-	2,000
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		215,641	256,869
Charge for workers' welfare fund		125,060	-
Education cess		7,000	-
Fixed assets written off		20,711	-
Other assets written off		14,299	-
Investments written off		8,166	-
		<b>390,877</b>	<b>256,869</b>
<b>31. TAXATION</b>			
Current - for the year		1,830,073	1,888,318
- for prior years		-	-
		<b>1,830,073</b>	<b>1,888,318</b>
Deferred		132,988	(10,366)
		<b>1,963,061</b>	<b>1,877,952</b>
<b>31.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the current year		6,056,922	5,956,029
Tax on income @ 35% (2007 : 35%)		2,119,923	2,084,610
Effect of permanent differences		145,474	170,404
Effect of exempt income		-	(298,268)
Adjustments in respect of tax at reduced rates		(387,161)	(18,824)
Others		84,825	(59,970)
Tax charge for the current year		<b>1,963,061</b>	<b>1,877,952</b>
<b>32. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
		Rupees in '000	
Profit after taxation		<b>4,093,861</b>	<b>4,078,077</b>
		Number of shares	
Weighted average number of ordinary shares outstanding during the year	32.1	<b>646,364,325</b>	<b>646,364,325</b>
		Number of shares	
Earnings per share - basic and diluted		<b>6.33</b>	<b>6.31</b>
There is no dilution effect on basic earnings per share.			
<b>32.1</b>	The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the year.		



	Note	December 31, 2008 Audited	December 31, 2007 Un-audited
Rupees in '000			
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	23,653,754	29,739,878
Balances with other banks	7	2,097,611	668,449
Overdrawn nostro accounts	16	(132,906)	(55,595)
		25,618,459	30,352,732

		Number	
<b>34. STAFF STRENGTH</b>			
Permanent		8,325	8,181
Temporary/on contractual basis/trainee		102	55
Bank's own staff strength at the end of the year		8,427	8,236
Outsourced		2,681	2,061
Total staff strength		11,108	10,297

### 35. DEFINED BENEFIT PLANS

#### 35.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme - funded) and provides post retirement medical benefits (un-funded scheme) to eligible retired employees.

#### 35.2 Number of Employees under the schemes

The number of employees covered under the following defined benefit scheme/plans are:

	December 31, 2008 Audited	December 31, 2007 Un-audited
Number		
- Gratuity fund	8,427	8,224
- Pension fund	3,226	3,743
- Benevolent fund	8,215	8,164
- Employees' compensated absences	8,325	8,164
- Post retirement medical benefits	8,325	8,164

#### 35.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2008 based on the Projected Unit Credit Method, using the following significant assumptions:

	December 31, 2008 Audited	December 31, 2007 Un-audited	Sources of estimation
Discount rate	14.00%	10.00%	Yield on investments in Government Bonds
Expected rate of return on plan assets:			
Pension fund	14.00%	12.40%	Yield on investments in Government Bonds
Gratuity fund	14.00%	11.80%	
Benevolent fund	14.00%	11.90%	
Expected rate of salary increase	12.00%	8.00%	Rate of salary increase
Pension indexation rate	7.00%	3.00%	
Medical inflation rate	10.00%	7.00%	
Exposure inflation rate	3.00%	2.00%	

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### 35.4 Reconciliation of (receivable from) / payable to defined benefit plans

		December 31, 2008			
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Audited					
Present value of defined benefit obligations	35.6	3,400,000	557,547	474,679	1,521,833
Fair value of plan/scheme's assets	35.7	(4,319,903)	(304,031)	(617,643)	-
Net actuarial (losses) not recognized		(438,865)	(162,671)	(140,452)	(244,078)
		(1,358,768)	90,845	(283,416)	1,277,755
Benefit of the surplus not available to the Bank		-	-	141,708	-
		(1,358,768)	90,845	(141,708)	1,277,755
December 31, 2007					
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Un-audited					
Present value of defined benefit obligations	35.6	3,461,993	574,685	557,296	1,624,176
Fair value of plan/scheme's assets	35.7	(5,738,722)	(475,357)	(692,158)	-
Net actuarial gains/(losses) not recognized		1,107,236	(8,483)	(82,552)	(448,404)
		(1,169,493)	90,845	(217,414)	1,175,772
Benefit of the surplus not available to the Bank		-	-	108,707	-
		(1,169,493)	90,845	(108,707)	1,175,772

35.4.1 The latest actuarial valuation of Benevolent Fund, carried out as at December 31, 2008 highlighted a surplus amounting to Rs. 141.708 million attributable to the Bank. The Bank has maintained 100% provision against it.

35.4.2 The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2008 would be Rs. 102.309 million (2007: Rs. 105.745 million) and Rs. 79.223 million (2007: Rs. 88.026 million) respectively.

### 35.5 Movement in (receivable from) / payable to defined benefit plans

		December 31, 2008			
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Audited					
Opening balance		(1,169,493)	90,845	(108,707)	1,175,772
Charge/(reversal) for the year	35.9	(409,849)	97,259	(9,518)	234,041
Contribution to the fund made during the year					
Bank's contribution		-	(109,399)	(34,590)	-
Benefits paid		-	-	-	(171,049)
VRS loss		220,574	12,140	11,107	38,991
		(1,358,768)	90,845	(141,708)	1,277,755
December 31, 2007					
Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	
Rupees in '000					
Un-audited					
Opening balance		(953,292)	112,570	(78,772)	1,052,971
Charge/(reversal) for the year	35.9	(216,201)	84,299	6,345	208,814
Contribution to the fund made during the year					
Bank's contribution		-	(106,024)	(36,280)	-
Benefits paid		-	-	-	(86,013)
VRS loss		-	-	-	-
Closing balance		(1,169,493)	90,845	(108,707)	1,175,772

35.6 Reconciliation of present value of defined benefit obligations

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Audited			
Opening balance	3,461,993	574,685	557,296	1,624,176
Current service cost	-	95,882	17,597	47,791
Interest cost	346,199	57,469	55,730	162,418
Benefits paid	(865,854)	(120,150)	(72,261)	(171,049)
VRS loss	340,427	10,140	11,107	11,991
Actuarial (gains) / losses	117,235	(60,479)	(94,790)	(153,494)
Closing balance	3,400,000	557,547	474,679	1,521,833

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Un-audited			
Opening balance	3,295,249	463,564	532,218	1,458,865
Current service cost	-	77,343	19,174	42,926
Interest cost	329,525	46,356	53,222	145,887
Benefits paid	(381,960)	(35,388)	(45,894)	(86,013)
VRS loss	-	-	-	-
Actuarial (gains) / losses	219,179	22,810	(1,424)	62,511
Closing balance	3,461,993	574,685	557,296	1,624,176

35.7 Reconciliation of fair value of plan assets

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Audited			
Opening balance	5,738,722	475,357	692,158	-
Expected return on plan assets	711,602	56,092	82,367	-
Bank's contribution	-	109,399	34,590	-
Employees' contribution	-	-	34,590	-
Benefits paid	(865,854)	(120,150)	(72,261)	-
Actuarial gains / (losses)	(1,264,567)	(216,667)	(153,801)	-
Closing balance	4,319,903	304,031	617,643	-

	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Un-audited			
Opening balance	5,155,897	393,999	610,811	-
Expected return on plan assets	515,590	39,400	61,081	-
Bank's contribution	-	106,024	36,280	-
Employees' contribution	-	-	36,280	-
Benefits paid	(381,960)	(35,388)	(45,894)	-
Actuarial gains / (losses)	449,195	(28,678)	(6,400)	-
Closing balance	5,738,722	475,357	692,158	-

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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### 35.8 Composition of fair value of plan assets

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Audited			
Government securities	1,868,887	14,931	291,113	-
Open end mutual funds	404,796	-	-	-
Listed shares *	495,167	107,871	73,576	-
Bank balances *	1,551,053	181,229	252,984	-
	<u>4,319,903</u>	<u>304,031</u>	<u>617,673</u>	<u>-</u>
* Fair value of Bank's financial instruments included in plan assets				
Shares of ABL	234,419	74,555	6,577	-
Bank balances with ABL	1,551,053	181,229	252,984	-
	<u>1,785,472</u>	<u>255,784</u>	<u>259,561</u>	<u>-</u>
	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Un-audited			
Government securities	3,447,938	19,492	335,540	-
Open end mutual funds	-	-	-	-
Listed shares *	1,344,419	166,671	160,354	-
Bank balances *	946,365	289,194	196,264	-
	<u>5,738,722</u>	<u>475,357</u>	<u>692,158</u>	<u>-</u>
* Fair value of Bank's financial instruments included in plan assets				
Shares of ABL	524,607	25,601	-	-
Bank balances with ABL	946,365	289,194	196,264	-
	<u>1,470,972</u>	<u>314,795</u>	<u>196,264</u>	<u>-</u>

### 35.9 Charge for defined benefit plan

	December 31, 2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Audited			
Current service cost	-	95,882	17,597	47,791
Interest cost	346,199	57,469	55,730	162,418
Expected return on plan assets	(711,602)	(56,092)	(82,367)	-
Actuarial (gains)/losses	(44,446)	-	1,111	23,832
Contributions - employee	-	-	(34,590)	-
Benefit of the surplus not available to the Bank	-	-	33,001	-
	<u>(409,849)</u>	<u>97,259</u>	<u>(9,518)</u>	<u>234,041</u>
	December 31, 2007			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
	Un-audited			
Current service cost	-	77,343	19,174	42,926
Interest cost	329,525	46,356	53,222	145,887
Expected return on plan assets	(515,590)	(39,400)	(61,081)	-
Actuarial (gains)/losses	(30,136)	-	1,375	20,001
Contributions - employee	-	-	(36,280)	-
Benefit of the surplus not available to the Bank	-	-	29,935	-
	<u>(216,201)</u>	<u>84,299</u>	<u>6,345</u>	<u>208,814</u>

**35.9.1** The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post-employment medical costs would be Rs. 9.589 million (2007: Rs. 10.575 million) and Rs. 8.099 million (2007: Rs. 8.803 million) respectively.

	December 31, 2008	December 31, 2007
	Rupees in '000	
	Audited	Un-audited
<b>35.10 Actual return on plan assets</b>		
- Pension fund	(552,965)	964,785
- Gratuity fund	(160,575)	10,722
- Benevolent fund	(71,434)	54,681

**35.11 Five year data of defined benefit plan and experience adjustments**

	Pension fund				
	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	3,400,000	3,461,993	3,295,249	3,244,547	3,862,879
Fair value of plan assets	(4,319,903)	(5,738,722)	(5,155,897)	(5,475,648)	(5,635,568)
Surplus	(919,903)	(2,276,729)	(1,860,648)	(2,231,101)	(1,772,689)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	(117,235)	(219,179)	(63,723)	636,805	428,741
Actuarial gain / (loss) on assets	(1,264,567)	449,195	(529,840)	(360,464)	310,488
	Gratuity fund				
	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	557,547	574,685	463,564	376,520	294,852
Fair value of plan assets	(304,031)	(475,357)	(393,999)	(286,159)	(211,816)
Deficit	253,516	99,328	69,565	90,361	83,036
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	60,479	(22,810)	1,848	1,362	101,325
Actuarial gain / (loss) on assets	(216,667)	(28,678)	19,193	(1,362)	7,318
	Benevolent fund				
	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	474,679	557,296	532,218	559,397	545,574
Fair value of plan assets	(617,643)	(692,158)	(610,811)	(563,483)	(504,731)
(Surplus) / deficit	(142,964)	(134,862)	(78,593)	(4,086)	40,843
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gain / (loss) on obligation	94,790	1,424	51,450	(2,126)	50,519
Actuarial gain / (loss) on assets	(153,801)	(6,400)	(27,417)	2,126	(49,592)
	Post retirement medical				
	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	1,521,833	1,624,176	1,458,865	1,292,221	1,224,870
Fair value of plan assets	-	-	-	-	-
Deficit	1,521,833	1,624,176	1,458,865	1,292,221	1,224,870
<i>Experience adjustments on plan obligations</i>					
Actuarial gain / (loss) on obligation	153,494	(62,511)	(68,312)	-	1,398

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### 35.12 Employees' compensated absences

The liability of the Bank in respect of long-term employees' compensated absences is determined, based on actuarial valuation, carried out using the Projected Unit Credit Method. The liability of the Bank as at December 31, 2008, as per the latest actuarial valuation carried out as at December 31, 2008 which, after considering the estimated liability for the current year, amounted to Rs. 832.215 million (2007: Rs. 875.178 million). A charge of Rs. 90.768 million (2007: Rs. 14.521 million) has been provided during the current year.

### 35.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next one year. Contribution to the benevolent fund is made by the Bank as per rates set out in the benevolent scheme. No contributions are being made to pension fund due to large amount of surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / reversal in respect of defined benefit plans for the year ending December 31, 2009 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	Rupees in '000			
Expected (reversal) / charge for the next year	(128,161)	151,466	4,062	277,527

### 36. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for employees who are covered under the new gratuity scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 6,776 (2007: 6,745) as on December 31, 2008. During the year, employees made a contribution of Rs. 136.353 (2007: Rs. 128.359) million to the fund. The Bank has also made a contribution of equal amount to the fund.

### 37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Directors		Executives	
		December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
		Rupees in '000					
		Audited	Un-audited	Audited	Un-audited	Audited	Un-audited
Fees	37.1	-	-	1,750	515	-	-
Managerial remuneration		12,581	20,570	-	-	323,055	350,120
Charge for defined benefit plans		647	944	-	-	65,874	56,962
Contribution to defined contribution plan		1,048	1,714	-	-	26,112	29,165
Rent and house maintenance		5,661	-	-	-	120,067	151,602
Utilities		1,701	1,555	-	-	29,339	37,111
Medical		640	292	-	-	36,779	45,875
Bonus		1,290	10,161	-	-	168,238	266,227
Conveyance and others		880	733	-	-	40,883	50,863
		24,448	35,969	1,750	515	810,347	987,925
Number of persons	37.2	1	2	11	11	342	436

37.1 This represents remuneration paid to each director including the outgoing director for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Each director was paid Rs.25,000 during the year for each meeting attended.

37.2 Number of persons include the outgoing President, Director(s) and executives.

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank and its subsidiary as held to maturity. Fair value of unquoted equity investments is determined on the basis of lower of cost and break up value of these investments as per the latest available audited accounts.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's and its subsidiary's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 42.3.1 and 42.2.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.



39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	December 31, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management
	Rupees in '000					
	Audited					
Total Income	299,034	2,009,934	16,148,132	26,717,331	358,691	50,714
Total Expenses	(167,616)	(1,914,129)	(13,964,870)	(25,104,215)	(225,606)	(113,539)
Net Income	131,418	95,805	2,183,262	1,613,116	133,085	(62,825)
Segment Assets (Gross)	390,294	16,244,953	98,600,711	264,578,928	376,119	449,313
Segment Non Performing Loans	-	-	5,689,068	8,082,827	-	-
Segment Provision Required	-	-	4,680,643	8,830,170	-	59,139
Segment Liabilities	299,451	17,414,760	237,204,188	86,152,876	3,253,303	9,889
Segment Return on net Assets (ROA) (%)*	33.67%	0.59%	2.32%	0.63%	35.38%	-16.10%
Segment Cost of Funds (%)*	0.00%	9.55%	7.16%	9.98%	0.00%	0.00%

	December 31, 2007					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management
	Rupees in '000					
	Un-audited					
Total Income	241,543	1,961,690	9,700,956	19,129,996	190,844	6,590
Total Expenses	(123,631)	(1,719,213)	(7,598,087)	(17,591,464)	(116,476)	(4,671)
Net Income	117,912	242,477	2,102,869	1,538,532	74,368	1,919
Segment Assets (Gross)	275,683	19,152,721	75,048,673	236,481,289	164,254	508,979
Segment Non Performing Loans	-	-	3,643,515	7,711,408	-	-
Segment Provision Required	-	-	4,172,680	6,840,217	-	-
Segment Liabilities	177,137	15,070,717	195,095,581	86,283,417	3,604,629	7,060
Segment Return on net Assets (ROA) (%)*	42.77%	1.27%	2.97%	0.67%	45.28%	0.38%
Segment Cost of Funds (%)*	0.00%	7.64%	3.79%	8.41%	0.00%	0.00%

\* The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### 40. RELATED PARTY TRANSACTIONS

The Bank and subsidiary have related party relationships with companies having common directorship, directors and employee benefit plans.

Transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e., under the comparable uncontrolled price method).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan).

Details of transactions with related parties except those under the terms of employment and balances with them as at the year end were as follows:

	December 31, 2008				December 31, 2007			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
	Rupees in '000							
	Audited				Un-audited			
<b>Nature of related party transactions</b>								
<b>Loans</b>								
Loans at the beginning of the year	11,783	-	75,899	2,053,508	386	-	43,490	-
Loans given during the year	25,612	-	200,809	8,907,741	17,686	-	42,846	-
Loans repaid during the year	(10,355)	-	(22,747)	(7,163,460)	(6,289)	-	(10,437)	-
Loans at the end of the year	27,040	-	253,961	3,797,789	11,783	-	75,899	-
<b>Deposits</b>								
Deposits at the beginning of the year	3,763	87,452	19,976	2,953	1,701	58,082	3,790	-
Deposits received during the year	1,005,141	2,490,881	208,653	5,810,587	4,978,161	1,163,102	139,731	-
Deposits repaid during the year	(1,004,059)	(2,523,251)	(216,320)	(5,688,539)	(4,976,099)	(1,133,732)	(123,545)	-
Deposits at the end of the year	4,845	55,082	12,309	125,001	3,763	87,452	19,976	-
Net receivable from staff retirement benefit funds	-	-	-	1,393,152	-	-	-	1,153,044
Staff retirement fund deposits	-	-	-	3,317,336	-	-	-	1,863,389
Investments in Shares	-	235,969	-	306,884	-	235,969	-	47,527
Nostro Balances	-	372,416	-	-	-	86,820	-	-
Rent Payable	-	-	-	1,328	-	-	-	-
Mark-up earned on loans	857	-	9,535	410,286	-	-	3,152	-
Income on placements	-	1,110	-	-	-	-	-	-
Income on lendings	-	116	-	-	-	-	-	-
Dividend income	-	-	-	9,855	-	-	-	-
Mark-up expense on deposits	37	-	170	312,998	67	185	102	26,003
Interest expense on borrowings	-	468	-	-	-	1,374	-	-
Directors' meeting fee	1,750	-	-	-	515	-	-	-
NIFT charges	-	-	-	60,662	-	-	-	52,213
Management fee	-	-	-	8,123	-	-	-	-
Launching Expenses	-	-	-	2,187	-	-	-	-
Rent expense	-	-	-	7,971	-	-	-	-
Bank Charges Levied	-	-	5	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	(184,522)	-	-	-	2,802

The other balances, held with related parties, outstanding at the end of the current year and transactions made during the year are included in notes 7.1, 20.2 and 37 to these consolidated financial statements.

**41. CAPITAL ASSESSMENT AND ADEQUACY**

**41.1 Scope of Applications**

The Basel II Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

**41.2 Capital Structure**

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deduction of deficit on revaluation of available for sale investments.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50%).

The Bank has issued unsecured subordinated Term Finance Certificates, which contributes towards Tier II capital for minimum capital requirements (MCR) to support the Bank's growth. All the regulatory approvals were obtained in December 2006. Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits and is not redeemable before maturity without prior approval of the SBP. The rate of return is based on Karachi Interbank Offer Rate (KIBOR) prevailing on the last working day before the beginning of each semi annual redemption period plus 1.9% (no floor, no cap) 0.24% of the principal shall be redeemable in the first 72 months and the remaining principal shall be redeemable in 4 equal semi-annual installments of 24.49% each of the issue amount respectively, starting from the 78th month.

Other salient features of the issue are as follows:

Total Issue	Rs 2,500 million
Rating	A
Listing	Karachi Stock Exchange (Guarantee) Ltd
Repayment	8 years (2007 – 2014)
Profit payment	Semi annually in arrears (365 day basis)

The Bank is in the process of issuing second TFC amounting to Rs. 4 billion out of which, Rs. 3 billion had been raised through the IPO and Rs. 1 billion will be offered for subscription through IPO for which SECP approval is awaited. As of December 31, 2008 Rs. 3 billion was received as Pre IPO proceeds and are included in other liabilities.

Tier 3 Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier 3 capital.

The required capital is achieved by the Bank through:

- (a) enhancement in the risk profile of asset mix at the existing volume level;
- (b) ensuring better recovery management; and
- (c) maintain acceptable profit margins.

Detail of the Bank's eligible capital (on consolidated basis) is as follows:

	December 31, 2008	December 31, 2007
	Rupees in '000	
	Audited	Un-audited
<b>Tier I Capital</b>		
Shareholders' equity /Assigned Capital	6,463,644	5,386,370
Share premium	2,341,322	3,418,596
Reserves	3,463,454	2,632,117
Unappropriated profits (Net of Losses)	8,475,791	6,973,227
Less: Book value of intangibles	(111,266)	(38,008)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(172,512)	-
	(283,778)	(38,008)
<b>Total Tier I Capital</b>	<u>20,460,433</u>	<u>18,372,302</u>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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	December 31, 2008	December 31, 2007
	Rupees in '000	
	Audited	Un-audited
<b>Tier II Capital</b>		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,498,000	2,499,000
General Provisions subject to 1.25% of Total Risk Weighted Assets	10,060	13,123
Revaluation Reserve (upto 45%)	507,073	688,593
<b>Total Tier II Capital</b>	<b>3,015,133</b>	<b>3,200,716</b>
<b>Eligible Tier III Capital</b>	-	-
<b>Total Regulatory Capital Base</b>	<b>23,475,566</b>	<b>21,573,018</b>

### 41.3 Capital Adequacy

#### Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). ALCO is responsible for managing Bank's capital position vis-à-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Bank's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

#### Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the Banks to raise their minimum paid up capital to Rs. 5 billion by the end of financial year 2008.

Capital requirement of Rs. 5 billion has to be raised to Rs. 6 billion by the end of financial year 2009. The Banks are expected to increase their minimum paid up capital to Rs 23 billion in a phased manner by the end of financial year 2013.

SBP through its BSD Circular No. 30 dated November 25, 2008 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 9% on standalone as well as on consolidated basis latest by December 31, 2008. Banks are expected to raise their minimum Capital Adequacy Ratio (CAR) of 9% to 10% by December 31, 2009.

The paid up capital and CAR of the Bank stands at Rs. 6.464 billion and 11.07% of its risk weighted exposure as at December 31, 2008.

The Bank has complied with all externally imposed capital requirements throughout the period.

### 41.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees in '000			
	Audited	Un-audited	Audited	Un-audited
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On- Balance Sheet				
(a) Cash and Cash Equivalents	6,562,095	6,617,401	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	84,675,675	85,593,452	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	3,405,981	1,241,860	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	141,964	164,089	141,964	164,089
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees in '000			
	Audited	Un-audited	Audited	Un-audited
(g) Claims on Public Sector Entities in Pakistan	26,834,934	11,053,910	4,836,284	3,721,804
(h) Claims on Banks	3,252,220	2,726,585	650,788	545,402
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	2,096,496	668,165	419,299	133,633
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	15,369,450	18,244,047	680,741	1,580,804
(k) Claims on Corporates (excluding equity exposures)	143,650,472	123,966,733	99,494,500	105,842,719
(l) Claims categorized as retail portfolio	50,302,802	29,422,167	36,816,422	20,746,279
(m) Claims fully secured by residential property	4,682,458	4,376,075	1,638,860	1,531,626
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:				
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	40,689	32,765	61,034	49,148
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	3,682,715	1,730,531	3,682,715	1,730,531
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,564	109,165	1,282	54,583
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount	23,788	14,078	11,894	7,039
(o) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	4,937,044	22,899,182	4,937,044	22,899,182
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	1,022,387	916,063	1,533,581	1,374,094
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	11,038,863	7,551,848	11,038,863	7,551,848
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	4,645,024	2,759,832	4,645,024	2,759,832
	366,367,621	320,087,948	170,590,295	170,692,613
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	13,352,386	12,271,071	9,796,023	6,871,188
Trade Related contingencies/Other Commitments with original maturity of one year or less	75,991,802	83,037,690	8,757,607	9,759,882
	89,344,188	95,308,761	18,553,630	16,631,070
<b>Equity Exposure Risk in the Banking Book</b>				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	21,915,013	15,762,222	180,523	150,121
<b>Total Credit Risk (A)</b>	477,626,822	431,158,931	189,324,448	187,473,804
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	15,939	5,184	199,234	64,800
	15,939	5,184	199,234	64,800
Capital Requirement for portfolios subject to Internal Models Approach				
Interest rate risk	10,405	9,309	130,060	116,361
Foreign exchange risk etc.	10,405	9,309	130,060	116,361
<b>Total Market Risk (B)</b>	26,344	14,493	329,294	181,161
<b>Operational Risk</b>				
<b>Basic Indicator Approach-Total of operational risk (C)</b>	1,792,020	1,413,190	22,400,253	17,664,875
<b>TOTAL of A + B + C</b>	479,445,186	432,586,614	212,053,995	205,319,840

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

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		December 31, 2008 Audited	December 31, 2007 Un-audited
<b>Capital Adequacy Ratio</b>			
Total eligible regulatory capital held (Note 41.2)	(a)	23,475,566	21,573,018
Total Risk Weighted Assets (Note 41.3)	(b)	212,053,995	205,319,840
Capital Adequacy Ratio	(a) / (b)	11.07%	10.51%

### 42. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

#### Categories of Risk

The Bank generates most of its revenues by accepting Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

<b>Credit Risk</b>	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.  Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.
<b>Market Risk</b>	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Bank (this risk is also known as price risk).
<b>Liquidity Risk</b>	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.
<b>Operational Risk</b>	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.
<b>Reputational Risk</b>	The risk of failing to meet the standards of performance or behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

#### Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) which discharges various responsibilities assigned to it by the BRMC.
- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

#### Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Risk Architecture, Risk Analytics, Operational Risk and Market Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.



#### 42.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank credit risk function is divided into Corporate and Financial Institutions Risk, Commercial and Retail Risk, and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

The Bank manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Non-sovereign credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

##### **Sovereign Credit Risk**

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

##### **Non-Sovereign Credit Risk**

When the Bank lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk. Financial analysis is further strengthened through use of separate financial spreadsheet templates that have been designed for manufacturing/trading concerns, financial institutions and insurance companies.

##### **Counter Party Credit Risk on Interbank Limits**

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market, interest and currency rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is BBB.

##### **Country Risk**

The Bank has in place a Country Risk Management Policy which has been approved by the Board. This policy focuses on international exposure undertaken by the Bank. The Bank utilizes country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. The country risk limits used by the Bank are linked to the Dun & Bradstreet ratings and FID is responsible for monitoring of country exposure limits.

##### **Credit Administration**

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Division constantly monitors the security and documentation risks inherent in the existing credit portfolio through six regional credit administration departments located all over the country.

##### **Risk Analytics**

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

##### **Internal Risk Rating Models**

The Bank has developed internal risk rating models to assign credit risk ratings to its Corporate and Institutional borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The ratings are assigned at Risk Analytic's Level and are given due weightage while extending credit to these asset classes. The Bank intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

##### **Stress Testing**

The Bank is also conducting stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### Early Warning System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' influences the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the Watch-List category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAM), which is responsible for management of non performing loans. SAM undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2008, the average specific provisioning rate was 76.33% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the note numbers 5 and 10 to these financial statements. The movement in specific and general provision held is given in note 10.5 to these consolidated financial statements.

### Portfolio Diversification

During the year 2008, the advances grew by 25.30%, while concomitantly maintaining healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

While expanding the advances portfolio, efficient portfolio diversification has been a key consideration. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Textile, Cement, Agriculture and Electric Generation are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

#### 42.1.1 Segmental Information

##### 42.1.1.1 Segments by class of business

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	21,816,521	9.75	15,900,662	5.35	169,426	0.13
Cement/clay/ceramics	13,173,582	5.89	1,991,781	0.67	442,219	0.35
Electric generation	29,926,356	13.38	10,338,890	3.48	547,640	0.43
Financial institutions	5,523,694	2.47	568,793	0.19	25,905,623	20.55
Food manufacturing	17,144,935	7.66	7,192,695	2.42	-	-
Individuals	5,501,212	2.46	76,943,516	25.87	1,237,277	0.98
Iron steel	3,182,380	1.42	5,417,184	1.82	1,828,282	1.45
Oil and gas etc.	10,570,349	4.73	16,072,777	5.40	41,796,605	33.16
Sugar	4,385,709	1.96	1,607,156	0.54	82,220	0.07
Textile	45,225,877	20.22	11,405,959	3.83	2,226,772	1.77
Transport, storage and communication	8,091,774	3.62	3,303,211	1.11	10,799	0.01
Wholesale and retail trade	10,600,915	4.74	19,983,812	6.72	1,739,037	1.38
Others	48,544,573	21.70	126,748,107	42.60	50,074,878	39.72
	223,687,877	100.00	297,474,543	100.00	126,060,778	100.00

##### 42.1.1.2 Segments by sector

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	37,408,776	16.72	34,483,785	11.59	5,299,893	4.20
Private	186,279,101	83.28	262,990,758	88.41	120,760,885	95.80
	223,687,877	100.00	297,474,543	100.00	126,060,778	100.00

**42.1.1.3 Details of non-performing advances and specific provisions by class of business segment**

	December 31, 2008		December 31, 2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
	Audited		Un-audited	
Agriculture	260,493	193,047	334,558	281,122
Chemical	152,525	152,525	192,307	188,119
Food manufacturing	310,768	276,518	351,984	350,784
Individuals	158,040	154,736	189,258	179,645
Textile	2,147,402	1,478,023	1,590,827	1,121,628
Transport, storage and communication	1,103,752	988,150	945,536	732,655
Wholesale and retail trade	745,859	622,120	624,336	575,361
Others	8,893,056	6,647,317	7,126,117	6,529,367
	13,771,895	10,512,436	11,354,923	9,958,681

**42.1.1.4 Details of non-performing advances and specific provisions by sector**

	December 31, 2008		December 31, 2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
	Audited		Un-audited	
Public/Government	689,039	276,270	506,947	322,828
Private	13,082,856	10,236,166	10,847,976	9,635,853
	13,771,895	10,512,436	11,354,923	9,958,681

**42.1.1.5 Geographical Segment Analysis**

	December 31, 2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	6,056,922	366,568,444	22,235,899	126,060,778

**42.1.2 Credit Risk - General Disclosures**

The Bank is following standardized approach for all its Credit Risk Exposures.

**42.1.2.1 Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific**

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits"

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

**Selection of ECAIs**

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

**Sovereigns Exposures:** For foreign currency claims on sovereigns, the Bank uses country risk scores of **Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.**

**Exposures to Multilateral Development Banks (MDBs):** For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (**excluding equity exposures**).

### Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
				CC	CC	
				C	C	
					D	

#### Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1+ A-1	A-1+ A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Types of exposures and ECAI's used

December 31, 2008

Exposures	JCR-VIS	PACRA	FITCH	Standard & Poors
Corporate	Yes	Yes	-	-
Banks	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-
SME's	-	-	-	-
Securitized	-	-	-	-
Others	Yes	Yes	-	-

**Credit exposures subject to Standardized Approach**

Exposures	Rating Category	December 31, 2008			December 31, 2007		
		Rupees in '000					
		Audited			Un-audited		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	40,546,594	-	40,546,594	12,674,906	-	12,674,906
	2	19,084,894	-	19,084,894	15,008,178	-	15,008,178
	3, 4	1,036,060	-	1,036,060	6,948,760	480,000	6,468,760
	5, 6	37,500	-	37,500	-	-	-
Claims on banks with original maturity of 3 months or less		15,369,450	11,965,747	3,403,703	18,244,047	10,340,025	7,904,022
Retail		50,302,802	1,214,239	49,088,563	29,422,167	1,760,462	27,661,705
Public sector entities	1	9,244,319	-	9,244,319	6,017,169	-	6,017,169
Others		129,687,606	-	129,687,606	137,037,407	-	137,037,407
Unrated		101,058,396	13,810,774	87,247,622	94,735,314	-	94,735,314

**42.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach**

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

**42.2 Equity position risk in the banking book**

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

**Classification of investments**

Under SBP's directives, equity investment may be classified as "Held For Trading (HFT)", "Available for Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

**Policies, valuation and accounting of equity investments**

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the bank's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### Composition of equity investments

	Held for Trading	Available for Sale
	Rupees in '000	
Equity Investments - Publicly Traded	-	6,863,698
Equity Investments - Others	-	992,675
Total Value	-	7,856,373

The cumulative realized gain / (loss) arose of Rs. 150,537 from sale of equity securities; however unrealized loss of Rs. 2,032.571 million was recognized in the balance sheet in respect of "AFS" securities.

#### 42.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price Risk.

Market Risk Function has been partially set up with current responsibility of performing basic market risk measurement, monitoring and control functions. However, to give it a formal structure, the Bank has appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Bank's trading book includes equity securities classified as 'Held for Trading'. These positions are actively managed by the capital market desk. Bank's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available for sale securities
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) Investments in bonds, debentures, etc

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

#### Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills) and other money market investments are subject to interest rate risk. To capture the risk associated with these securities extensive modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Equity Position Risk – Banking Book

The Bank's portfolio of equity securities categorized under 'Available for Sale' and 'Strategic Investments' are parked in the banking book. These investments expose the Bank to equity price risk.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits).

#### Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Bank's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.



#### 42.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Our FX Risk is first controlled through substantially matched funding policy. On the mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of net foreign currency exposure is in US Dollars. The Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

December 31, 2008				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Audited				
Pakistani Rupee	358,756,348	324,585,898	(12,072,386)	22,098,064
United States Dollar	7,002,496	16,854,494	9,930,518	78,520
Great Britain Pound	175,994	1,356,917	1,185,627	4,704
Japanese Yen	9	861	-	(852)
Euro	574,739	1,530,503	958,568	2,804
Other Currencies	58,858	3,872	(2,327)	52,659
	7,812,096	19,746,647	12,072,386	137,835
	366,568,444	344,332,545	-	22,235,899

December 31, 2007				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Un-audited				
Pakistani Rupee	311,735,924	285,718,225	(6,234,724)	19,782,975
United States Dollar	7,308,529	11,721,695	4,420,146	6,980
Great Britain Pound	195,844	1,429,445	1,215,538	(18,063)
Japanese Yen	757	96	-	661
Euro	253,484	855,939	601,343	(1,112)
Other Currencies	112,016	993	(2,303)	108,720
	7,870,630	14,008,168	6,234,724	97,186
	319,606,554	299,726,393	-	19,880,161

#### 42.2.3 Equity Position Risk

The Board with the recommendations of ALCO approves exposure limits applicable to investments in Trading Book. Equity securities are perpetual assets and are classified under either Held for Trading Portfolio or Available for Sale Portfolio.

##### Concentration Risk

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits set by ALCO. Limit monitoring is done on a daily basis. Limit breaches if any are promptly reported to ALCO with proper reason and justification.

##### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Treasury's Capital Market Unit both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

### 42.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

December 31, 2008												
Effective Yield/interest rate	Total	Exposed to Yield/Interest risk								Non-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
Rupees in 000												
Audited												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.90%	23,653,754	2,554,486	-	-	-	-	-	-	-	-	21,099,268
Balances with other banks		2,097,611	-	-	-	-	-	-	-	-	-	2,097,611
Lendings to financial institutions	15.57%	15,793,183	15,493,183	300,000	-	-	-	-	-	-	-	-
Investments	11.99%	82,433,998	36,143,536	13,881,781	15,572,790	3,995,600	493,796	1,813,744	3,754,978	2,459,513	-	4,318,260
Advances	12.53%	213,020,108	139,727,187	37,390,525	20,770,209	1,482,850	1,708,876	587,772	1,513,588	4,117,809	2,711,075	3,010,217
Other assets		16,430,215	-	-	-	-	-	-	-	-	-	16,430,215
		353,428,869	193,918,392	51,572,306	36,342,999	5,478,450	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075	46,955,571
<b>Liabilities</b>												
Bills payable		2,952,490	-	-	-	-	-	-	-	-	-	2,952,490
Borrowings	13.91%	27,778,151	24,132,603	1,810,346	1,710,590	124,612	-	-	-	-	-	-
Deposits and other accounts	8.31%	297,474,543	195,418,674	16,687,651	3,763,187	3,850,000	-	-	-	-	-	77,755,031
Sub-ordinated loans	17.31%	2,498,000	-	2,498,000	-	-	-	-	-	-	-	-
Other liabilities		11,643,069	-	-	-	-	-	-	-	-	-	11,643,069
		342,346,253	219,551,277	18,497,997	7,971,777	3,974,612	-	-	-	-	-	92,350,590
<b>On-balance sheet gap</b>		11,082,616	(25,632,885)	33,074,309	28,371,222	1,503,838	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075	(45,395,019)
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of Repo Lending		-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of CFS lending		-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - purchase		17,083,600	-	-	-	-	-	-	-	-	-	17,083,600
Commitments in respect of forward exchange contracts - sale		4,831,414	-	-	-	-	-	-	-	-	-	4,831,414
<b>Off-balance sheet gap</b>		12,252,186	-	-	-	-	-	-	-	-	-	12,252,186
<b>Total Yield/Interest Risk Sensitivity Gap</b>		23,334,802	(25,632,885)	33,074,309	28,371,222	1,503,838	2,202,672	2,401,516	5,268,566	6,577,322	2,711,075	
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		23,334,802	(25,632,885)	7,441,424	35,812,646	37,316,484	39,519,156	41,920,672	47,189,238	53,766,560	56,477,635	

December 31, 2007												
Effective Yield/interest rate	Total	Exposed to Yield/Interest risk								Non-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
Rupees in 000												
Un-audited												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	3.71% - 4.72%	29,739,878	620,930	-	-	-	-	-	-	-	-	29,118,948
Balances with other banks		668,449	-	-	-	-	-	-	-	-	-	668,449
Lendings to financial institutions	9.56%	18,419,241	14,354,479	4,064,762	-	-	-	-	-	-	-	-
Investments	8.99%	83,458,463	5,226,956	20,793,363	15,408,023	8,522,875	1,601,096	53,336	2,901,695	5,414,812	-	23,536,307
Advances	10.55%	168,407,280	147,644,863	6,912,889	924,744	1,801,970	1,486,396	934,062	1,153,579	3,462,196	2,848,735	1,237,846
Other assets		9,960,256	-	-	-	-	-	-	-	-	-	9,960,256
		310,653,567	167,847,228	31,771,014	16,332,767	10,324,845	3,087,492	987,398	4,055,274	8,877,008	2,848,735	64,521,806
<b>Liabilities</b>												
Bills payable		3,494,384	-	-	-	-	-	-	-	-	-	3,494,384
Borrowings	8.23%	22,933,656	19,223,177	1,470,631	2,043,895	195,953	-	-	-	-	-	-
Deposits and other accounts	4.28%	263,469,594	177,294,854	12,619,479	3,431,927	2,381,229	-	-	-	-	-	67,742,105
Sub-ordinated loans	11.93%	2,499,000	-	2,499,000	-	-	-	-	-	-	-	-
Other liabilities		5,228,239	-	-	-	-	-	-	-	-	-	5,228,239
		297,624,873	196,518,031	14,090,110	7,974,822	2,577,182	-	-	-	-	-	76,464,728
<b>On-balance sheet gap</b>		13,028,694	(28,670,803)	17,680,904	8,357,945	7,747,663	3,087,492	987,398	4,055,274	8,877,008	2,848,735	(11,942,922)
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of Repo Lending	10.25%	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Commitments in respect of CFS lending	14%	733	733	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - purchase		10,998,473	-	-	-	-	-	-	-	-	-	10,998,473
Commitments in respect of forward exchange contracts - sale		4,763,749	-	-	-	-	-	-	-	-	-	4,763,749
<b>Off-balance sheet gap</b>		7,235,457	1,000,733	-	-	-	-	-	-	-	-	6,234,724
<b>Total Yield/Interest Risk Sensitivity Gap</b>		20,264,151	(27,670,070)	17,680,904	8,357,945	7,747,663	3,087,492	987,398	4,055,274	8,877,008	2,848,735	
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		20,264,151	(27,670,070)	(9,989,166)	(1,631,221)	6,116,442	9,203,934	10,191,332	14,246,606	23,123,614	25,972,349	



## Notes to the Consolidated Financial Statements for the year ended December 31, 2008

	December 31, 2007								
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
	Rupees in '000								
	Un-audited								
<b>Assets</b>									
Cash and balances									
with treasury banks	29,739,878	29,739,878	-	-	-	-	-	-	-
Balances with other banks	668,449	668,449	-	-	-	-	-	-	-
Lendings to financial institutions	18,419,241	14,354,479	4,064,762	-	-	-	-	-	-
Investments	83,458,463	5,665,425	17,997,491	10,411,424	8,362,387	24,327,425	1,738,973	9,899,686	3,982,076
Advances	168,407,280	23,632,878	35,731,127	10,325,079	42,328,286	13,511,777	10,700,959	15,514,401	12,327,943
Operating fixed assets	7,551,848	30,264	60,528	90,792	181,585	1,123,861	245,672	349,226	420,218
Deferred tax assets	662,416	197,931	14,290	14,128	17,870	57,367	27,851	53,463	22,832
Other assets	10,698,979	1,384,449	1,211,008	2,666,112	4,185,827	21,290	21,290	42,580	106,450
	319,606,554	75,673,753	59,079,206	23,507,535	55,075,955	39,041,720	12,734,745	25,859,356	16,859,519
<b>Liabilities</b>									
Bills payable	3,494,384	3,494,384	-	-	-	-	-	-	-
Borrowings	22,933,656	12,404,504	2,308,839	5,029,153	951,313	1,116,464	644,814	282,617	195,952
Deposits and other accounts	263,469,594	48,461,991	53,579,823	29,565,060	27,179,828	24,834,784	28,848,192	16,174,661	19,257,541
Sub-ordinated loans	2,499,000	-	-	500	500	1,000	1,000	2,000	2,494,000
Other liabilities	7,329,759	3,156,440	1,797,499	121,419	165,526	189,409	176,018	297,321	715,668
	299,726,393	67,517,319	57,686,161	34,716,132	28,297,167	26,141,657	29,670,024	16,756,599	22,663,161
<b>Net assets/(liabilities)</b>	19,880,161	8,156,434	1,393,045	(11,208,597)	26,778,788	12,900,063	(16,935,279)	9,102,757	(5,803,642)
<b>Share capital</b>	5,386,370								
Reserves	6,050,713								
Unappropriated profit	6,973,227								
Surplus on revaluation of assets - net of tax	1,469,851								
	19,880,161								

**42.3.1.1** When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

### 42.4 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes

The Bank is also in the process of developing a Business Continuity Plan applicable to all its functional areas, with assistance of a consultant.

Further the Bank has appointed a consultant to assist in implementation of Operational Risk Framework. Various policies and procedures with respect to this framework were developed in 2008, and the same are planned for approval and subsequent implementation during 2009.

Currently the Bank uses the Basic Indicator Approach for assessing its operational risk capital charge. However, migration to Standardised Approach is planned for future. For this purpose the bank is in the process of acquiring and implementing required systems and technology.

**43. RECLASSIFICATION**

Following corresponding figure has been reclassified for the purpose of better presentation.

<u>From</u>	<u>To</u>	<b>December 31, 2007 Rupees in '000</b>
Administrative expenses	Mark-up/return/interest expensed	74,006

**44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Bank in its meeting held on February 27, 2009 has proposed a cash dividend in respect of 2008 of Rs.1.00 per share (2007: cash dividend Rs.1.50 per share). In addition, the directors have also announced a bonus issue of 10% (2007: 20%). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank and its subsidiary for the year ended December 31, 2008 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2009.

**45. GENERAL**

**45.1** These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

**46. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 27, 2009 by the Board of Directors of the Bank.

**Chief Financial Officer**

**President and Chief Executive**

**Director**

**Director**

**Director**

**Annexure I**

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

**1. DETAIL OF INVESTMENT IN SHARES - LISTED**

S. No.	Name of Company	Number of Shares	Amount in Rupees		Market Price per share
			Paid-up value per share	Total paid-up value	
1	ARIF HABIB INV. MANAGEMENT LIMITED.	628,201	10.00	6,282,010	69.98
2	ASKARI BANK LIMITED	500,000	10.00	5,000,000	14.57
3	BAWANY SUGAR MILLS LIMITED	5,400	10.00	54,000	3.39
4	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	842,050	10.00	8,420,500	17.03
5	DADABHOY LEASING.	47,300	10.00	473,000	-
6	DADABHOY MODARABA	567,500	10.00	5,675,000	-
7	DADABHOY CEMENT INDUSTRIES	1,500	10.00	15,000	2
8	ENGRO CHEMICAL PAKISTAN LIMITED.	769,098	10.00	7,690,980	96.46
9	ENGRO POLYMERS & CHEMICALS LIMITED	3,106,567	10.00	31,065,670	14.58
10	EYE TELEVISION NETWORK LIMITED.	1,806,000	10.00	18,060,000	34.25
11	FAUJI FERTILIZER BIN QASIM LIMITED	6,633,500	10.00	66,335,000	12.9
12	FAUJI FERTILIZER COMPANY	8,298,100	10.00	82,981,000	58.73
13	FIRST CREDIT & INVESTMENT BANK LIMITED	4,610,400	10.00	46,104,000	2.99
14	HUB POWER COMPANY LIMITED.	37,667,500	10.00	376,675,000	14.09
15	ICI PAKISTAN LIMITED	694,600	10.00	6,946,000	68.71
16	IGI INSURANCE LIMITED.	114,000	10.00	1,140,000	115.27
17	IGI INVESTMENT BANK LIMITED	190	10.00	1,900	3.15
18	KAISER ARTS & CRAFT LIMITED	766,500	10.00	7,665,000	-
19	LUCKY CEMENT LIMITED.	800,000	10.00	8,000,000	31.27
20	MCB BANK LIMITED	4,610,145	10.00	46,101,450	125.81
21	MEEZAN BANK LIMITED	1,568,509	10.00	15,685,090	21.48
22	MOHIB EXPORT LIMITED.	21,275	10.00	212,750	-
23	MY BANK LIMITED	809,500	10.00	8,095,000	11.6
24	NATIONAL BANK OF PAKISTAN	1,272,000	10.00	12,720,000	50.32
25	OIL & GAS DEVELOPMENT COMPANY LIMITED.	9,627,300	10.00	96,273,000	49.99
26	PACE PAKISTAN LIMITED.	3,264,000	10.00	32,640,000	8.64
27	PACKAGES LIMITED	153,500	10.00	1,535,000	81.19
28	PAK OMAN ADVANTAGE FUND	96,000	10.00	960,000	7.52
29	PAKISTAN OILFIELD LIMITED.	900,360	10.00	9,003,600	102.49
30	PAKISTAN PETROLEUM LIMITED.	1,430,000	10.00	14,300,000	100.62
31	PAKSITAN TELECOMMUNICATIONS COMPANY LIMITED	6,203,400	10.00	62,034,000	16.89
32	PICIC GROWTH MUTUAL FUND	3,289,100	10.00	32,891,000	5.59
33	PICIC GROWTH FUND	63,400	10.00	634,000	5.59
34	REDCO TEXTILE MILLS LIMITED.	300	10.00	3,000	-
35	S.G.FIBERS LIMITED.	788,800	10.00	7,888,000	-
36	SAFA TEXTILE MILLS LIMITED.	860,200	10.00	8,602,000	-
37	SONERI BANK LIMITED	160,000	10.00	1,600,000	11
38	TRG PAKISTAN LIMITED	3,894,500	10.00	38,945,000	1.78
39	UBL CAPITAL PROTECTED FUND	7,500,000	10.00	75,000,000	10
40	UNITED BANK LIMITED	3,420,200	10.00	34,202,000	36.91
41	WORLD CALL TELECOM	469	10.00	4,690	2.97
	<b>ABL-AMC</b>				
42	HUB POWER COMPANY LIMITED	321,000	10.00	3,210,000	14.09
43	ARIF HABIB SECURITIES LIMITED	62,500	10.00	625,000	69.98
44	MEEZAN BANK LIMITED	152,040	10.00	1,520,400	21.48
45	UNITED BANK LIMITED	85,000	10.00	850,000	36.91
46	MCB BANK LIMITED	25,000	10.00	250,000	125.81
47	PAKISTAN OIL FIELDS LIMITED	78,000	10.00	780,000	102.49
48	OIL & GAS DEVELOPMENT COMPANY	50,000	10.00	500,000	49.99
49	PAKISTAN PETROLEUM LIMITED	242,000	10.00	2,420,000	100.62
50	EYE TELEVISION NETWORK	90,000	10.00	900,000	34.25
51	PAKISTAN TELECOMMUNICATION COMPANY LIMITED	300,000	10.00	3,000,000	16.89
52	ENGRO CHEMICAL PAKISTAN LIMITED	35,000	10.00	350,000	96.46
53	FAUJI FERTILIZER BIN QASIM LIMITED	300,000	10.00	3,000,000	12.90
54	PACKAGES LIMITED	60,000	10.00	600,000	81.19
55	PACE (PAKISTAN) LIMITED	170,000	10.00	1,700,000	8.64



## Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

### 2. DETAIL OF INVESTMENT IN SHARES - UNLISTED

Amount in Rupees

S. No.	Name of Company	Percentage of Holding	No. of Shares	Paid-up Value per share	Total Paid-up Value	Break-up Value per share	Total Book Value December 31, 2008	Break-up Value as per Audited Accounts	Name of Chief Executive / Managing Agent
1	ABL ASSET MANAGEMENT COMPANY	100%	50,000,000	10	500,000,000	7.61	500,000,000	31-Dec-2008	Mr. Anis-ur-Rahman
2	AL-AMIN TEXTILE MILLS LIMITED	-	13,100	10	131,000	N/A	1	N/A	Mr. Suleman Haji Allah Bux
3	ARABIAN SEA COUNTRY CLUB LIMITED	6.45%	500,000	10	5,000,000	7.85	5,000,000	30-Jun-2008	Mr. Arif Khan Abbasi
4	ATLAS POWER LIMITED.	10%	31,500,000	10	315,000,000	8.91	315,000,000	30-Jun-2008	Mr. Maqsood A. Basraa
5	ATTOCK TEXTILE MILLS LIMITED	-	55,500	10	555,000	N/A	505,500	N/A	Mrs. Fareeda Khanum
6	BANKERS EQUITY LIMITED	-	807,699	10	8,078,990	N/A	1	N/A	Under Liquidation
7	EASTERN CAPITAL LIMITED	16.13%	500,000	10	5,000,000	13.05	5,000,000	30-Jun-2007	Mr. Munir M. Ladha
8	EQUITY PARTICIPATION FUND	0.97%	15,000	100	1,500,000	765.14	1,500,000	30-Jun-2008	Mr. Jamal Nasim
9	FIRST WOMEN BANK LIMITED	8.97%	2,544,000	10	25,440,000	36.25	21,200,000	31-Dec-2007	Ms. Zarine Aziz
10	HABIB ALLIED INTERNATIONAL BANK INVESTMENT CORPORATION OF PAKISTAN (MERGED WITH IDBP)	9.50%	2,375,000	114	270,750,000	178.40	214,769,350	30-Jun-2008	Mr. Zakir Mahmood
11	KATEX MILLS LIMITED	-	151,100	10	1,511,000	N/A	1,511,000	N/A	Mr. Abdul Latif Uqaili Col. Muhammad Yaqub (Rtd)
12	KHUSHHALI BANK LIMITED.	11.73%	200,000,000	10	2,000,000,000	11.00	200,000,000	31-Dec-2007	Mr. M. Ghalib Nishtar
13	KOHINOR LOOMS TD	-	21,000	10	210,000	N/A	1	N/A	De-listed
14	NATIONAL WOOLEN MILLS	-	6,900	10	69,000	N/A	51,900	N/A	Haji Sher Shah
15	NIFT	6.10%	662,584	10	6,625,840	46.73	1,526,505	30-Jun-2008	Mr. Muzaffar M. Khan
16	NISHAT CHUNIAN POWER LIMITED	10%	8,810,711	10	88,107,105	34.58	88,107,110	30-Jun-2008	Mr. Farrukh Afzal
17	NISHAT POWER LIMITED.	10%	12,125,000	10	121,250,000	10.18	121,250,000	30-Sep-2008	Mr. Mian Hassan Mansha
18	PASSCO	3.33%	1,000	1,000	1,000,000	35,643.23	1,000,000	31-Mar-2008	Maj. Gen. Ahmed Nawaz Saleem Mela
19	RUBY RICE & GEN MILLS	-	14,500	10	145,000	N/A	104,500	N/A	Mr. Mehboob Ali
20	SME BANK LIMITED.	0.24%	580,778	10	5,807,780	12.08	5,250,000	31-Dec-2007	Mr. Mansur Khan
21	SWIFT	-	-	10	-	-	1,769,508	-	-

### 3. DETAIL OF INVESTMENT IN BONDS

Government Guaranteed / Foreign Currency

Amount in Rupees

S. No.	Name of Bond	Balance as on December 31, 2008	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period
1	<b>US \$ Bonds</b> KH 000019 (\$ 695,880) KH 000020(\$ 695,880) KH 000039 (\$ 174,070) KH 000040 (\$ 174,070)	55,100,544 55,100,544 13,783,054 13,783,054	3 M LIBOR+1 3 M LIBOR+1 3 M LIBOR+1 3 M LIBOR+1	1-Jul-90 1-Jul-90 1-Jul-90 1-Jul-90	1-Jul-09 1-Jul-10 1-Jul-09 1-Jul-10	01-Jul-09 01-Jul-09 01-Jul-09 01-Jul-09	19- YEARS 20-YEARS 19- YEARS 20-YEARS
2	<b>GOVT BOND</b> HEAVY MECHANICAL COMPLEX PUBLIC SECTOR ENTERPRISE PUBLIC SECTOR ENTERPRISE	11,650,000 280,117,000 118,513,000	6.0% 6.0% 9.0%	01-Mar-89 01-Jun-89 01-Jul-90	01-Mar-09 01-Jun-09 01-Jul-10	01-Mar-09 01-Jun-09 01-Jul-09	20-YEARS 20-YEARS 20-YEARS

### 4. DETAIL OF INVESTMENT IN BONDS/OTHERS/SUKUK BONDS

Amount in Rupees

S. No.	Name of Bond	Balance as on December 31, 2008	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Terms of Redumption
1	DAWOOD HERCULES	1,000,000,000	6MK+1.2%	18-Sep-07	18-Sep-12	18-Mar-09	Half Yearly
2	SECURITY LEASING CORPORATION LIMITED	236,250,000	6 MK+2%	6-Jan-07	31-May-12	31-May-09	Half Yearly
3	CENTURY PAPER & BOARD MILLS LIMITED	1,150,000,000	Last 5 Days 6 Month avg K+1.35%	25-Sep-07	24-Sep-14	25-Mar-09	Half Yearly
4	K.S. SULEMANJI ESMAILJI & SONS LIMITED	150,000,000	3 MK+1.3%	30-Jun-08	30-Jun-12	31-Mar-09	Quarterly
5	AL-ZAMIN LEASING MODARABA	195,000,000	6 MK+1.9%	12-May-08	12-May-12	12-May-09	Half Yearly
6	QUETTA TEXTILE MILLS LIMITED	50,000,000	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-09	Half Yearly
7	SHAHRAJ FABRICS PVT LIMITED	200,000,000	6 MK +2.10	8-Mar-08	8-Mar-13	8-Mar-09	Half Yearly
8	MAPLE LEAF CEMENT	3,190,000,000	6 MK + 1.70	3-Dec-07	3-Dec-14	3-Jun-09	Half Yearly
9	GOVT OF PAKISTA-IJARA SUKUK	100,000,000	13.1376%	26-Sep-08	26-Sep-11	26-Mar-09	Half Yearly

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

## 5. DETAIL OF INVESTMENT IN TFCs - LISTED

Amount in Rupees

S.No.	Name of Company	No. of Certificates	Paid-up value per Certificate	Total paid-up value
1	STANDARD CHARTERED BANK LIMITED	10,000	5,000	50,000,000
2	ROYAL BANK OF SCOTLAND/ ABN AMRO BANK LIMITED	7,000	5,000	35,000,000
3	UNITED BANK LIMITED-3RD ISSUE	10,000	5,000	50,000,000
4	UNITED BANK LIMITED -4TH ISSUE	37,000	5,000	185,000,000
5	SEARLE PAKISTAN LIMITED	10,000	5,000	50,000,000
6	NIB BANK LIMITED	76,789	5,000	383,945,000
7	UNITED BANK LIMITED-PPTFC	122,558	5,000	612,790,000
8	TELECARD LIMITED	75,888	5,000	379,440,000
9	PAKARAB FERTILIZERS LIMITED	84,080	5,000	420,400,000
10	AZGARD NINE LIMITED	1,300	5,000	6,500,000
11	ESCORT INVESTMENT BANK LIMITED	20,000	5,000	100,000,000
12	FINANCIAL RECEIVABLE SECURITIZATION COMPANY LIMITED ABL-AMC	21,000	5,000	105,000,000
13	NIB BANK LIMITED	5,000	5,000	25,000,000
14	ENGRO CHEMICAL PAKISTAN LIMITED	6,000	5,000	30,000,000
15	PAKISTAN MOBILE COMMUNICATION LIMITED	15,000	5,000	75,000,000

## 6. DETAIL OF INVESTMENT IN TFCs - UNLISTED

Amount in Rupees

S.No.	Name of Company	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Outstanding Principal December 31, 2008
1	ORIX LEASING PAKISTAN LIMITED	23,000	100,000	2,300,000,000	Mr. Humayun Murad	2,300,000,000
2	DEWAN FAROOQUE SPINNING MILLS LIMITED	25,000	5,000	125,000,000	Mr. Dewan Muhammad Yousuf Farooqui (Chairman); Mr. Dewan Abdul Baqi Farooqui (Chief Executive)	46,875,000
3	BOSICOR PAKISTAN LIMITED	10,000	5,000	50,000,000	Mr. Aamir Abbassi	14,285,715
4	AL-ABBAS SUGAR INDUSTRIES	25,000	5,000	125,000,000	Mr. Shunaid Qureshi	124,950,000
5	AL-ABBAS HOLDING (PVT) LIMITED	5,750	100,000	575,000,000	Mr. Shunaid Qureshi	575,000,000
6	GHANI HOLDING (PVT) LIMITED	5,750	100,000	575,000,000	Mr. Shunaid Qureshi	575,000,000
7	NEW ALLIED ELECTRONICS INDUSTRIES	10,000	5,000	50,000,000	Mian Pervaiz Akhtar	50,000,000
8	IESCO	400	10,000,000	4,000,000,000	Mr. Raja Abdul Ghafoor	4,000,000,000
9	LESCO	400	10,000,000	4,000,000,000	Mr. Sallahuddin	4,000,000,000
10	JAVEDAN CEMENT LIMITED	2,500	100,000	250,000,000	Mr. Shunaid Qureshi	250,000,000
11	GRAYS LEASING	15,500	5,000	100,000,000	Mr. Abdul Rashid Mir	77,500,000
12	RAI TEXTILE MILLS LIMITED	6	391,687	2,350,122	Mr. Javed Ahmad Kayani	139,193
13	ARUJ TEXTILE MILLS LIMITED	5	654,970	3,274,850	Sheikh Muhammad Tahir	973,034
14	BLUE STAR SPINNING MILLS LIMITED	1	165,291	165,291	Ch.Sardar Mohammad	1,726,000
		1	270,681	270,681		
		1	263,639	263,639		
		1	251,937	251,937		
		1	244,584	244,584		
		1	233,192	233,192		
		1	225,529	225,529		
		1	214,966	214,966		
		1	206,474	206,474		
		1	195,704	195,704		
		1	187,419	187,419		
		1	176,954	176,954		
		1	168,364	168,364		
		1	158,215	158,215		
		1	149,309	149,309		
		1	139,574	139,574		
		1	130,254	130,254		
15	BENTONITE LIMITED	13	107,610	1,398,930	Mr. Khalid Shakeel	1,360,000
		1	107,619	107,619		
		1	470,440	470,440		
		15	20,100	301,500		
		1	20,680	20,680		
16	SHAH JEWANA TEXTILE MILLS LIMITED	13	40,010	520,130	Mrs.Shahida FaisalSaleh Hyat	118,139
		1	40,069	40,069		
		11	120,090	1,320,990		
		1	120,127	120,127		
17	FARUKI PULP MILLS LIMITED	13	1,050,900	13,661,700	Mr. Salim Akbar Faruki	7,020,000
		1	1,050,993	1,050,993		

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

S.No.	Name of Company	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Amount in Rupees
						Outstanding Principal December 31, 2008
18	CHOUDHRY WIRE ROPE INDUSTRIES	13	217,000	2,821,000	Ch. Muhammad Akram	620,834
		1	228,902	228,902		
19	LARR SUGAR MILLS LIMITED	23	476,315	10,955,245	Mr. Abdul Rauf	1,798,104
		1	476,320	476,320		
		23	200,759	4,617,457		
		1	200,758	200,758		
		13	207,774	2,701,062		
		1	207,775	207,775		
		13	601,916	7,824,908		
20	SADHUJA TEXTILE MILLS LIMITED	1	601,918	601,918	Mr. Ali Asghar	916,109
		1	137,946	137,946		
		3	278,924	836,772		
		2	274,376	548,752		
		1	2,790,892	2,790,892		
21	TANOCRAFT LIMITED	15	59,500	892,500	Mr. Kanwer Furqan Ali	144,674
		1	60,942	60,942		
		5	69,900	349,500		
		1	70,385	70,385		
22	KHAIRPUR SUGAR MILLS LIMITED	13	55,536	721,968	Muhammad Mubeen Jumani	1,248,000
		1	55,538	55,538		
		5	337,000	1,685,000		
		1	337,077	337,077		
23	BACHANI SUGAR MILLS LIMITED	23	135,227	3,110,221	Mr. Najmuddin Ansari	12,667,000
		1	135,236	135,236		
		14	1,526,874	21,376,236		
		13	655,656	8,523,528		
24	FRONTIER CERAMICS	1	655,657	655,657	Mr. Shamsul Hassan	2,478,849
		15	117,000	1,755,000		
		1	118,846	118,846		
		13	224,000	2,912,000		
		1	217,221	217,221		
		13	113,000	1,469,000		
		1	113,960	113,960		

### 7. DETAIL OF INVESTMENT IN PTC

S.No.	Name of Borrower	No. of Certificates	Paid-up Value Per Certificate	Total Paid-up Value	Name of Chief Executive / Managing Agent	Amount in Rupees
						Outstanding Principal December 31, 2008
1	CRYSTAL CHEMICALS	1	59,000	59,000	Mr. Maqsood A Shaikh	1,559,000
2	MAS DAIRIES LIMITED.	13	62,000	806,000	Mian Nisar Akhtar	1,009,000
		1	50,000	50,000		
3	PANGRIO SUGAR MILLS LIMITED	9	51,000	459,000	Mr. Sajid Hussain Naqvi	3,067,621
		15	236,000	3,540,000		
		1	240,000	240,000		
		1	168,000	168,000		
		13	169,000	2,197,000		

### 8. DETAIL OF INVESTMENT IN DEBENTURES - UNLISTED

Name of the Company	Terms of Redemption		Rate of Interest	Outstanding Principal
	Principal	Interest		
<b>PUBLIC SECTOR</b>				
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	500,000
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	459,000
HARIPUR COLD STORAGE	Overdue	Overdue	12.50%	56,000
KARACHI DEVELOPMENT AUTHORITY	Overdue	Overdue	12.00%	62,355,000
<b>PRIVATE SECTOR</b>				
EFFEF INDUSTRIES	Overdue	Overdue	14.00%	109,108

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

## 9. DETAIL OF INVESTMENT IN OPEN ENDED MUTUAL FUNDS

Amount in Rupees

S. No.	Name of Company	No. of Units	Paid-up Value Per Unit	Total Paid-up Value	Total Book Value December 31, 2008	Market Price Per Unit Dec. 31, 2008
1	ABL INCOME FUND	75,000,000	10	750,000,000	750,000,000	10.00
2	ATLAS ISLAMIC FUND	10,483	500	5,241,500	5,000,000	259.38
3	AKD OPPORTUNITY FUND	736,234	50	36,811,700	40,000,000	29.50
4	AMZ PLUS INCOME FUND	2,367,805	100	236,780,500	250,000,000	92.57
5	AMZ PLUS STOCK FUND	265,000	100	26,500,000	25,000,000	58.47
6	BMA CHUNDRIGAR ROAD SAVING FUND	20,291,772	10	202,917,720	193,887,971	9.68
7	HBL INCOME FUND	7,858,840	100	785,884,000	750,000,000	95.13
8	HBL STOCK FUND	200,000	100	20,000,000	20,000,000	60.13
9	JS AGGRESSIVE INCOME FUND	1,015	100	101,500	-	99.69
10	JS INCOME FUND	11,903,581	100	1,190,358,100	1,200,000,000	100.81
11	KASB BALANCED FUND	500,000	50	25,000,000	25,000,000	35.86
12	KASB LIQUID FUND	7,915,045	100	791,504,500	750,000,000	90.40
13	MCB DYNAMIC CASH FUND	20,276,840	100	2,027,684,000	2,000,000,000	98.67
14	NAFA CASH FUND	234,984,491	10	2,349,844,910	2,250,000,000	9.59
15	NATIONAL INVESTMENT TRUST	73,991	10	739,910	2,260,835	23.35
16	UNITED GROWTH & INCOME FUND	47,069,997	100	4,706,999,700	4,500,000,000	95.67
	<b>Pre IPO INVESTMENT</b>					
17	DAWOOD FAMILY TAKAFUL LIMITED	3,500,000	10	35,000,000	35,000,000	N/A
	<b>ABL-AMC</b>					
18	ABL INCOME FUND	9,952,953	10	99,529,530	96,415,728	10.00

## 10. DETAIL OF INVESTMENT IN PREFERENCE SHARES

Amount in Rupees

S. No.	Name of Company	Percentage of Holding	No. of Shares	Paid-up Value per Share	Total Paid-up Value	Break-up Value per Share	Total Book Value - December 31, 2008	Break-up value as per Audited Accounts	Name of Chief Executive/ Managing Agent	Terms of Redemption
1	MASSOD TEXTILE MILLS LIMITED	19%	17,500,000	10	175,000,000	10	175,000,000	30-Jun-2006	Mr. Shahid Nazeer	Can convert 1/3 of PS alongwith dividend in ordinary shares after expiry of 4 years at a discount of 15%
2	FAZAL CLOTH MILLS LIMITED	30%	7,500,000	10	75,000,000	10	75,000,000	-	Sheikh Naseem Ahmad	ABL's stake in the preference share for Rs.75M to be redeemed within 60 days after completion of 5 years from the date of Issue.

# Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

## 11. QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in 000

S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Rating	Market Value/ Book value	Rating
<b>GOVERNMENT SECURITIES</b>					
1	MARKET TREASURY BILLS	34,702,083	Un Rated	37,417,758	Un Rated
2	PAKISTAN INVESTMENT BONDS	395,018	Un Rated	243,211	Un Rated
3	GOVT. OF PAKISTAN IJARA ISSUE	100,000	Un Rated	-	**
<b>LISTED TFCs</b>					
4	ASKARI COMMERCIAL BANK LIMITED	-	**	104,736	AA-
5	AZGARD NINE LIMITED	5,469	AA-	6,500	A+
6	BANK AL FALAH LIMITED	-	**	104,190	AA-
7	ESCORT INVESTMENT BANK LIMITED	92,688	A+	100,000	A+
8	FRSCL-A	56,985	AA-	76,022	AA-
9	FRSCL-B	25,999	AA-	33,630	AA-
10	FAYSAL BANK LIMITED	-	**	146,705	AA-
11	PAKARAB FERTILIZERS LIMITED	364,703	AA	-	**
12	ROYAL BANK OF SCOTLAND/ ABN AMRO BANK LIMITED	31,519	AA-	36,794	A
13	SEARLE PAKISTAN LIMITED	28,498	A-	44,528	A-
14	UNION BANK / STANDARD CHARTERED LIMITED	51,931	AA	50,595	AAA
15	UNITED BANK LIMITED-3	42,162	AA	52,879	AA
16	UNITED BANK LIMITED-4	160,918	AA	-	**
<b>UNLISTED TFCs</b>					
17	ORIX LEASING PAKISTAN LIMITED	2,300,000	AA+	-	**
18	ISLAMABAD ELECTRICITY SUPPLY COOPERATION	4,000,000	**	-	**
19	JAVEDAN CEMENT LIMITED	250,000	**	-	**
20	GRAYS LEASING	77,500	**	-	**
<b>SHARES UNLISTED</b>					
21	*ARABIAN SEA COUNTRY CLUB LIMITED	5,000	**	5,000	**
22	ATTOCK TEXTILE MILLS LIMITED	506	**	-	**
23	*ATLAS POWER LIMITED	280,856	**	-	**
24	*EASTERN CAPITAL LIMITED	5,000	**	5,000	**
25	*EQUITY PARTICIPATION FUND	1,500	**	8,256	**
26	*FIRST WOMEN BANK LIMITED	21,200	BBB+&A2	21,200	BBB+&A2
27	*HABIB ALLIED INTERNATIONAL BANK LIMITED	214,769	**	214,769	**
28	*ICP (MERGED WITH IDBP)	9,130	**	1,000	**
29	KATEX MILLS LIMITED	1,511	**	-	**
30	*KHUSHHALI BANK LIMITED	200,000	A-&A1	200,000	**
31	NATIONAL WOOLEN MILLS	52	**	-	**
32	*NIFT	1,527	**	35,896	**
33	*NISHAT CHUNIAN POWER LIMITED	88,107	**	-	**
34	*NISHAT POWER LIMITED	121,250	**	-	**
35	*PASSCO	1,000	**	(661)	**
36	RUBY RICE & GEN MILLS	105	**	-	**
37	*SME BANK LIMITED	5,250	BBB&A3	5,250	**
38	SWIFT	1,770	**	1,770	**
<b>SHARES LISTED</b>					
39	ARIF HABIB INV. MANAGEMENT LIMITED	43,962	AM2	-	**
40	ASKARI BANK LIMITED	7,285	AA&A1+	-	**
41	BAWANY SUGAR MILLS LIMITED	18	**	-	**
42	CRESCENT STEEL & ALLIED PRODUCTS	14,340	A+&A1	-	**
43	DADABHOY LEASING	-	**	66	**
44	DADABHOY MODARABA	5,025	**	511	**
45	DADABHOY CEMENT INDUSTRIES	3	**	-	**
46	ENGRO CHEMICAL PAKISTAN LIMITED	74,187	AA&A1+	19,931	AA&A1+
47	ENGRO POLYMERS & CHEMICALS LIMITED	45,294	**	-	**
48	EYE TELEVISION NETWORK LIMITED	61,856	**	-	**
49	FAUJI FERTILIZER BIN QASIM	85,572	**	251,249	**
50	*FAUJI FERTILIZER COMPANY LIMITED	487,347	**	118,750	**
51	FIRST CREDIT & INVESTMENT BANK LIMITED	13,785	A-&A2	-	**
52	*HUB POWER COMPANY LIMITED	439,150	**	285,785	**
53	HUB POWER COMPANY LIMITED	91,585	**	-	**
54	ICI PAKISTAN LIMITED	47,726	**	-	**
55	IGI INSURANCE LIMITED	13,141	IFS AA	-	**

## Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

Rupees in 000

S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Rating	Market Value/ Book value	Rating
56	IGI INVESTMENT BANK LIMITED	1	A&A1	-	**
57	KAISER ARTS & CRAFT LIMITED	-	**	422	**
58	LUCKY CEMENT LIMITED	25,016	**	23,300	**
59	MCB BANK LIMITED	580,002	AA+&A1+	-	**
60	MEEZAN BANK LIMITED	33,692	A+&A1	21,175	A+&A-1
61	MOHIB EXPORT LIMITED	-	**	3	**
62	MY BANK LIMITED	9,390	A&A1	11,975	A&A1
63	NATIONAL BANK OF PAKISTAN	64,007	AAA&A1+	69,645	AAA&A1+
64	NISHAT MILLS LIMITED	-	**	54,683	A+&A1
65	*OIL & GAS DEVELOPMENT COMPANY LIMITED	417,281	AAA&A1+	-	**
66	OIL & GAS DEVELOPMENT COMPANY LIMITED	63,987	AAA&A1+	104,722	AAA&A1+
67	PACE PAKISTAN LIMITED	28,201	A+&A1	40,205	A+&A1
68	PACKAGES LIMITED	12,463	AA&A1+	-	**
69	PAK OMAN ADVANTAGE FUND	722	FS AA-(f)	792	AA-
70	PAKISTAN OILFIELD LIMITED	92,278	**	192,280	**
71	PAKISTAN PETROLEUM LIMITED	143,887	**	79,641	**
72	PAKISTAN STATE OIL	-	**	10,165	AAA&A1+
73	PAKISTAN TELECOMMUNICATIONS	104,775	**	35,743	**
74	PICIC GROWTH MUTUAL FUND	18,386	**	89,846	**
75	REDCO TEXTILE MILLS LIMITED	3	**	1	**
76	PICIC GROWTH FUND	354	**	-	**
77	SONERI BANK LIMITED	1,760	AA-&A1+	-	**
78	S.G.FIBERS LIMITED	45,908	**	41,254	**
79	SAFA TEXTILE MILLS LIMITED	8,602	**	5,293	**
80	TRG PAKISTAN LIMITED	6,932	BBB+&A2	30,723	BBB+&A2
81	UBL CAPITAL PROTECTED FUND	75,000	**	-	**
82	UNITED BANK LIMITED	126,240	AA+&A1+	-	**
83	WORLD CALL TELECOM LIMITED	1	A+&A1	8	A+&A1
<b>PREFERENCE SHARES</b>					
84	FAZAL CLOTH MILLS LIMITED	75,000	**	75,000	**
85	MASOOD TEXTILE LIMITED	175,000	**	200,000	**
<b>INVESTMENT IN MUTUAL FUND</b>					
86	ABL INCOME FUND	750,000	FS-A(F)	-	**
87	AKD INCOME FUND	-	**	501,926	FS-A(F)
88	AKD OPPORTUNITY FUND	21,719	**	40,606	**
89	ALFALAH GHP INCOME MULTIPLIER FUND	-	**	401,377	MFR-5-Star
90	AMZ PLUS INCOME FUND	219,188	BBB+(F)	752,532	**
91	AMZ PLUS STOCK FUND	15,493	MFR-3-Star	28,326	**
92	ASKARI INCOME FUND	-	**	1,201,478	**
93	ATLAS INCOME FUND	-	**	501,403	MFR-5-Star
94	ATLAS ISLAMIC FUND	2,719	**	5,306	**
95	BMA CHUNDRIGAR ROAD SAVING FUND	196,455	FS-A(F)	204,700	**
96	DAWOOD MONEY MARKET FUND	-	**	501,209	MFR-5-Star
97	FAYSAL SAVING & GROWTH FUND	-	**	400,782	**
98	FIRST HABIB INCOME FUND	-	**	200,709	**
99	HBL INCOME FUND	747,611	**	1,503,716	**
100	HBL STOCK FUND	12,026	**	20,480	**
101	IGI INCOME FUND	-	**	300,343	**
102	JS AGGRESSIVE INCOME FUND	101	**	-	**
103	JS INCOME FUND	1,200,000	MFR-5-Star	1,203,373	**
104	KASB BALANCED FUND	17,930	**	-	**
105	KASB LIQUID FUND	715,520	MFR-5-Star	1,002,835	**
106	KASB-FUND	-	**	25,000	**
107	MCB DYNAMIC CASH FUND	2,000,716	**	2,005,996	**
108	MEEZAN ISLAMIC INCOME FUND	-	**	-	**
109	NAFA CASH FUND	2,253,501	FS-A(F)	2,509,203	FS-A(F)
110	NATIONAL INVESTMENT TRUST	1,728	MFR-5-Star	4,428	MFR-4-Star
111	PAK INT. ELEMENT ISLAMIC FUND	-	**	81,825	**
112	PAKISTAN CAPITAL MARKET FUND	-	**	-	**
113	PAKISTAN INCOME FUND	-	**	1,254,106	MFR-4-Star
114	RELIANCE INCOME FUND	-	**	-	**
115	UNITED COMPOSITE ISLAMIC FUND	-	**	29,536	**
116	UNITED GROWTH & INCOME FUND	4,503,187	FS-A(F)	4,513,818	FS-A(F)



# Annexure I

As referred to in notes 9.2.4 and 9.4 to the consolidated financial statements

Rupees in 000					
S. No.	Name of Security	December 31, 2008		December 31, 2007	
		Market value/ Book value	Credit Rating	Market Value/ Book value	Credit Rating
117	UNITED MONEY MARKET FUND	-	**	500,393	MFR-4-Star
	<b>PRE IPO INVESTMENT</b>				
118	FINANCIAL RECEIVABLES & SECURITIZATION COMPANY LIMITED	-	**	-	**
119	GRAY LEASING	-	**	100,000	**
120	UNITED BANK LIMITED	-	**	800,000	AA
121	NIB BANK LIMITED	-	**	150,000	**
122	TREASURY SHARES	-	**	584,900	**
123	PAK ARAB FERTILIZERS LIMITED	-	**	880,000	**
	<b>SUKUK BONDS</b>				
124	SECURITY LEASING CORPORATION	236,250	**	270,000	**
125	CENTURY PAPER & BOARD MILLS LIMITED	1,150,000	**	1,150,000	**
126	DAWOOD HERCULES	1,000,000	**	1,000,000	**
127	K.S.SULEMANJI ESMAILJI & SONS	150,000	**	-	**
128	QUETTA TEXTILE MILLS LIMITED	50,000	**	-	**
	<b>ABL AMC</b>				
	<b>LISTED TFCs</b>				
129	NIB BANK LIMITED	24,995	A+	-	A+
130	ENGRO CHEMICAL PAKISTAN LIMITED	29,988	AA	-	AA
131	PAKISTAN MOBILE COMMUNICATION LIMITED	76,418	AA-	-	AA-
	<b>LISTED SHARES</b>				
132	HUB POWER COMPANY LIMITED	4,523	**	-	**
133	ARIF HABIB SECURITIES LIMITED	2,629	AM2	-	**
134	MEEZAN BANK LIMITED	3,266	A+&A1	-	A+&A-1
135	UNITED BANK LIMITED	3,137	AA+&A1+	-	**
136	MCB BANK LIMITED	3,145	AA+&A1+	-	**
137	PAKISTAN OIL FIELDS LIMITED	7,994	**	-	**
138	OIL & GAS DEVELOPMENT COMPANY	2,450	AAA&A1	-	AAA&A1+
139	PAKISTAN PETROLEUM LIMITED	24,350	**	-	**
140	EYE TELEVISION NETWORK	3,083	**	-	**
141	PAKISTAN TELECOMMUNICATION COMPANY LIMITED	5,067	**	-	**
142	ENGRO CHEMICAL PAKISTAN LIMITED	3,376	AA&A1+	-	AA&A1+
144	FAUJI FERTILIZER BIN QASIM LIMITED	3,870	**	-	**
145	PACKAGES LIMITED	4,871	AA&A1+	-	**
146	PACE (PAKISTAN) LIMITED	1,469	A+&A1	-	A+A1

\* Strategic Investments of the Bank

\*\* Ratings are not available

## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008

S. No.	Name and address of the Borrower	Name of Individuals/ Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year					Rupees in Million		
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3	4	5	6	7	8	9	10	11	12
1	AGRICULTURE INTERNATIONAL (PVT) LTD. AGRICULTURE HOUSE, NEW SUBZI MANDI, KHANEWAL ROAD, MULTAN.	CH. MUKHTAR AHMED MUHAMMAD ANWAR SAQIB SHEIKH RASHID TANVEER CAPT® KHALID BUTT (Died) CH. LALLAH MEHR RANA MUHAMMAD SALEEM		1.162	0.000	1.117	2.279	1.162	0.000	1.117	2.279
2	ZAHID BROTHERS, MAIN ROAD UBAURO, DIST:GHOTKI.	ZAHID PERVAIZ	MUHAMMAD HANIF	2.198	0.000	0.851	3.049	1.099	0.000	0.851	1.950
3	OKARA TEXTILE MILLS LTD. 1-A, ROSE LANE, SAREFAZ RAFIQUE, LAHORE CANTT.	JAWED ZIA GHULAM RASOOL MRS. AMBER JAWED MRS. SALMAN JAWED ZIA MRS. KAUSAR JAWED MUHAMMAD ZAFAR INAM UMAR JAWED	MIAN ZIAUDDIN AHMED X X D/O JAWED AHMED ZIA W/O JAWED AHMED ZIA QAZI INAMULLAH JAWED AHMED ZIA	0.289	0.000	15.161	15.450	0.289	0.000	15.161	15.450
4	ALI MUHAMMAD HASHIM 1726, 15-48, KACHI MUSLIM COLONY, KARACHI	ALI MUHAMMAD HASHIM		0.075	0.000	0.630	0.705	0.075	0.000	0.630	0.705
5	AL-MUSTA TRADING CORPORATION 147/5 SECTOR 5-D, NEW KARACHI.	MUSTAQUEM ALI		1.211	0.000	1.843	3.054	1.211	0.000	1.843	3.054
6	PAKISTAN POLYPROPYLENE PACKAGES LTD. C-1, SULTAN CENTRE, WEST WHARF ROAD, KARACHI.	MR. IKRAM SULTAN. MR. AMIN A. SULTAN MR. AZAM KHAN MR. SAIEDULLAH JAN MRS. UZMA A. SULTAN MRS. ASMA A. SULTAN MRS. KISHWAR KAMAL		0.205	0.000	3.995	4.200	0.011	0.000	3.995	4.006
7	HILTON HOUSE, KAGHAN ROAD, F - 8 MARKAZ, ISLAMABAD.	MRS. SALMA MEHMOOD		0.205	0.000	0.317	0.522	0.205	0.000	0.317	0.522
8	PAK AGRICULTURAL CORPORATION SUBZI MANDI ROAD, MULTAN.	RANA MUHAMMAD SALEEM RANA MUHAMMAD ASLAM	RAFIUDDIN RAFIUDDIN	3.605	0.000	3.018	6.623	3.605	0.000	3.018	6.623
9	INTERNATIONAL TRACTORS (PVT) LTD. PLOT #27, SECTOR 15, KARACHI.	TARIQUE ABBAS NIAZI ASAD ABBAS NIAZI ASFAND ABBAS NIAZI USAMA ABBAS NIAZI MRS. HAMIDA NIAZI	LUTFULLAH NIAZI LUTFULLAH NIAZI TARIQ ABBAS KHAN NIAZI LUTFULLAH NIAZI ASAD ALAM NIAZI	10.815	0.000	1.218	12.033	2.765	0.000	1.218	3.983

## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008											
S. No.	Name and address of the Borrower	Name of Individuals/ Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year					Rupees in Million		
				Principal	Interest/ Mark-up	Other	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3	4	5	6	7	8	9	10	11	12
10	DENNAMAN FABRICS LIMITED, 10th FLOOR, LAKSON SQUARE BUILDING No:1 265, R.A.LANE, SARWAR SHAHEED ROAD, KARACHI.	N/A NAWABZADA AFEZAL H.MUGHAL SLAMKAN HUSSAIN MUGHAL, MUHAMMAD HASEEB KHAN MRS.AYESHA HUSSAIN MRS.SUMAYRA MUZAFFAR HUSSAIN IMRAN HUSSAIN	N/A	82,990	0.000	36,487	119,477	82,990	0.000	36,487	119,477
11	DIGRI SUGAR MILLS LIMITED OFFICE: 48-1/A, BLOCK-6, PECHS, KARACHI. MILL AT: TALUKA DIGRI DISTT: MIRPURKHAS, SINDH	NAVEED MUHAMMAD JAVERI MUSTAPHA FARABI JAVERI Ms.ZEHRA JAVERI MRS HILLA JAVERI MRS. AYESHA JAVERI MRS. AMBER GHANI ADIL QADEER JAFFER	42201-4892360-5 42201-9407234-3 42201-7345590-2 42301-5503245-0 42201-4784876-8 514-88-121096 517-90-255959	38,579	0.000	15,583	54,162	4,784	0.000	15,583	20,367
12	BLUE STAR TEXTILE MILLS LTD. MOUZA GHANI PUR, BYE PASS ROAD, BAHAWAPUR.	CH SARDAR MUHAMMAD CH MUHAMMAD ZAMEER CH MUHAMMAD SIDDIQUE CH GHULAM FAREED MST. NASEEM FAREED MST YASMEEN SIDDIQUE CH MANZOOR AHMED	344-88-195446 N/A 344-85-239339 323-91-759140 323-91-759141 323-91-759135 344-90-267810	9,923	0.000	14,555	24,478	7,423	0.000	14,555	21,978
13	ZULFIQAR FERTILIZER AGENCY MAIN ROAD, UBUARO, DISTT: GHOTKI	MUHAMMAD TARIQ	45415-6066139-5	1,010	0.000	0.323	1,333	0.475	0.000	0.323	0.798
14	IMTIAZ AHMED H-125 SECTOR 14, ORANGI TOWN, KARACHI.	IMTIAZ AHMED		0.481	0.000	0.313	0.794	0.481	0.000	0.313	0.794
15	AQEEL AHMED A-702, SECTOR 11-A, NORTH KARACHI.	AQEEL AHMED		0.449	0.000	0.272	0.721	0.449	0.000	0.272	0.721
16	SYED YAWAR HUSSAIN, R-1027, ANCHOLI, BLOCK-20, FEDERAL B AREA, KARACHI.	SYED YAWAR HUSSAIN		0.439	0.000	0.284	0.723	0.439	0.000	0.284	0.723
17	COMMODITY GLOBAL SERVICES (PVT) LTD. ROOM # 806 - 7 TH FLOOR, PROGRESSIVE PLAZA BEHIND, PIDC HOUSE, KARACHI.	SHAHRYAR AHMED Ms. AYESHA AHMED AAMIR NAZIR AHMED (CEO)	277-50-164838 277-86-368623	4,635	0.000	0.000	4,635	4,635	0.000	0.000	4,635

## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year					Rupees in Million										
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11								
												5	6	7	8	9	10	11	12
1		3	4																
18	MIRZA SUGAR MILLS LTD. 10TH FLOOR, BLOCK B, BUILDING No:1, LAKSON SQUARE, SARWAR SHAHEED ROAD, KARACHI.	DR. (MRS). FEHMIDA MIRZA MIR GHULAM GHULAMULLAH TALPUR. ARSHAD ABID ABBASI Ms. FAREHA ABID KAZI MIR FURQAN ALI TALPUR MIRZA SAULAT RAZA ALI JAVED JABIR ANSARI	W/O DR ZULFIQAR ALI MIRZA MIR ALINAWAZ TALPUR	33,000	0,000	38,748	71,748	28,000	0,000	0,000	38,748	0,000	0,000	0,000	38,748	66,748			
19	CHOTTI/GHAZI TEXTILE MILLS LTD. JAMPUR ROAD, D.G. KHAN.	SARDAR M JAFFAR LAGHARI BASHIR AHMED HAJI MUHAMMAD MUHAMMAD SALEEM AKHTAR HUSSAIN BUKSH YOUSUF KHAN LAGHARI SARDAR MUHAMMAD OMAR KHAN	SARDAR ATA M. LAGHARI MUHAMMAD ALI CHUTTA KHAN ALLAH DYANA KARIM BUKSH SARDAR M. JAMIL K LAGHARI SARDAR ATA MLK LAGHARI	8,100	0,000	0,000	8,100	0,725	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,725			
20	NATIONAL WOOLEN MILLS LTD. NEAR GOMAL UNIVERSITY, D.I. KHAN.	MUZAFFAR SHAH TARIQ JAMIL JAHANZEB KHAN MRS. KHATOON BIBI HAJI SHER SHAH		0,363	0,000	3,738	4,101	0,170	0,000	0,000	3,738	0,000	0,000	0,000	3,738	3,908			
21	KHYBER TEXTILE MILLS LTD. 375, MANSARA ROAD, ABBOTTABAD.	TAI MUHAMMAD KHANZADA FARID M. JADOON CH. ABDUL KARIM ABDUL HAMID KHAN HAJI LAL KHAN JADOON AMANULLAH KHAN JADOON ZAFAR IQBAL JADOON.		7,306	0,000	4,441	11,747	7,306	0,000	0,000	4,441	0,000	0,000	0,000	4,441	11,747			
22	TEXILA COTTON MILLS LTD. 270-SECTOR 1-9, ISLAMABAD.	MIAN MEHBOOB ELLAHI MRS. SAMINA BEGUM MAHFOOZ ELLAHI MEHMOOD ELLAHI MRS. AMNA ZAHRA ABDUL RASHEED MASOOD SAFED	MUHAMMAD HUSSAIN XXXX MEHBOOB ELLAHI MEHBOOB ELLAHI XXXX XXXX XXXX	12,328	0,000	12,909	25,237	1,102	0,000	0,000	12,909	0,000	0,000	0,000	12,909	14,011			
23	KHALID AHMED R-394, SECTOR No:15-A/3, BUFFER ZONE, KARACHI.	KHALID AHMED	ABDUL AHAD	0,389	0,000	0,251	0,640	0,389	0,000	0,000	0,251	0,000	0,000	0,251	0,640				
24	LIAQUAT ALI KHAN R-640/16, DASTAGIR SOCIETY, FEDERAL "B" AREA, KARACHI.	LIAQUAT ALI KHAN	SHAFQUAT ALI KHAN	0,406	0,000	0,265	0,671	0,406	0,000	0,000	0,265	0,000	0,000	0,265	0,671				
25	TARIQ BROTHERS MAIN ROAD UBUARO, DISTT: GHOTKI	TARIQ AZIZ	MUHAMMAD HANIF	0,700	0,000	0,323	1,023	0,468	0,000	0,000	0,323	0,000	0,000	0,323	0,792				

## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008												
S. No.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Rupees in Million				
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
1	2	3	4	5	6	7	8	9	10	11	12	
26	RAVI ENTERPRISES 833 - SHADMAN COLONY, LAHORE.	MIAN MUHAMMAD JAHANGIR	HAJI GHULAM QADIR	5,539	0.000	3,032	8,571	0.438	0.000	3,032	3,470	
27	ALMA INDUSTRIES (PVT) LTD. 118/A, INDUSTRIAL ESTATE, JAMRUD ROAD, PESHAWAR	AZIZ UR REHMAN ATTA UR REHMAN FARHAT NASREEN	HAJI GUL SAEED KHAN HAJI GUL SEED KHAN W/O.AZIZ UR REHMAN	7,221	0.000	11,480	18,701	3,569	0.000	11,480	15,049	
28	MIRZA JAFFER KASHANI N-26/1 METROVILL 111 MIAN ABUL HUSSAN ISPAHANI RD, GULSHAN-E-IQBAL, KARACHI.	MIRZA JAFFER KASHANI	M.H.MIRZA KASHANI	0.442	0.000	0.222	0.664	0.442	0.000	0.222	0.664	
29	NAJAF A. MUGHANI A-210, SHERATON HEIGHTS ABUL HASSAN ISPAHANI RD, KARACHI.	NAJAF A. MUGHANI	ABDUL AHAD	0.430	0.000	0.218	0.648	0.430	0.000	0.218	0.648	
30	ASMA ARIF B-5, SONY APARTMENT, BLOCK A, GULSHAN-E-IQBAL, KARACHI.	ASMA ARIF	MUHAMMAD ARIF	0.490	0.000	0.235	0.725	0.490	0.000	0.235	0.725	
31	HAPPY EMBROIDERY CENTER DOGAR HOUSE, CHAK No.203, RUB MALIKPUR, FAISALABAD.	MUHAMMAD ARIF NADEEM DOGAR	ABDUL QADIR	4,310	0.000	2,059	6,369	2,059	0.000	2,059	4,118	
32	SHAHEEN CORPORATION MAIN ROAD UBUARO, DISTT: GHOTKI.	ZULFIQAR ALI	ABDUL QAYOOM	1,291	0.000	0.418	1,709	0.598	0.000	0.419	1,017	
33	BROADWAY INTERNATIONAL SUIT No.4, BLOCK 12-D, FAISAL PLAZA, SUPERMKT, F-7, MARKAZ, ISLAMABAD.	MUHAMMAD TAHIR KHAN	MUHAMMAD SARWAR	0.805	0.000	0.000	0.805	0.805	0.000	0	0.805	
34	NAWAZ TRANSPORT COMPANY PLOT NO-C-30, NEAR JAMIA QURTABA BOLCK-1, CLIFTON, KARACHI.	SYED ZAMAN AFRIDI	HABIB KHAN	4,317	0.634	0.180	5,131	2,217	0.000	0.814	3,031	
35	AL-RIAZ TRADERS, BEHIND HI CLASS BAKERI, ALLAHABAD, WAZIRABAD & MUFTI COLONY, G.T.ROAD, WAZIRABAD.	MUHAMMAD RIAZ	ABDUL HAMEED	0.599	0.086	0.000	0.685	0.499	0.000	0.086	0.585	
36	MACDONALD LAYTON INTERNATIONAL LTD MACDONALD LAYTON BUILDING, 34-WEST WHARF ROAD, KARACHI.	BRIG ® NASIRUDDIN HAMAYUN A.M. REZVI MAJ.GEN ® SHAFQAT A. SYED	ABDUL QADIR	2,478	1,053	0.000	3,531	2,478	0.000	1,053	3,531	

## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

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STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008										Rupees in Million		
S. No.	Name and address of the Borrower	Name of Individuals/ Partners / Directors with NIC Nos.	Fathers' / Husband's Name	Outstanding Liabilities at the Beginning of the year				Rupees in Million				
				Principal	Interest/ Mark-up	Other	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial Relief Provided	Total	
1	2	3	4	5	6	7	8	9	10	11	12	
37	MACDONALD LAYTON & COMPANY LTD, MACDONALD LAYTON BUILDING, 34-WEST WHARF ROAD, KARACHI.	BRIG ® NASIRUDDIN HAMAYUN A.M. REZVI MAJ.GEN ® SHAFQAT A. SYED	ABDUL QADIR	1.471	0.348	0.000	1.819	1.471	0.000	0.348	1.819	
38	KHALID HUSSAIN HOUSE # L-569, SECTOR 5-A/3, NORTH KARACHI.	KHALID HUSSAIN	MIRZA KHAN	0.405	0.141	0.126	0.672	0.405	0.000	0.267	0.672	
39	FRONTIER CARPET INDUSTRIES (PVT) LTD. 191/101 - E, GADDOON AMAZAL, DISTT: SWABI, NWFP	MUMTAZ HUSSAIN ABIDI SHAMSHAD AHMED SOHAIL SHAMSHAD HAJI ISLAM UDDIN AMJAD HUSSAIN DANISHMAND SHAHEEN KAUSAR	TASEER AHMED ABIDI RAHIM BUKSH SHAMSHAD AHMED NOOR UDDIN CH.FAZAL HUSSAIN MUHAMMAD USMAN W/O.HAJI ABDUL RAUF	1.673	4.039	0.000	5.712	1.673	0.000	4.039	5.712	
40	BANKERS EQUITY LIMITED 1ST FLOOR FINANCE TRADE CENTRE, KARACHI.	MUHAMMAD ALI KHOJA INAM ELLAHI ETRAI H. RIZVI DR.AMJAD WAHEED AKMAL RAZA CHAUDHRY ABDUL RASHEED MUHAMMAD QASIM	ALI BHAI NANJI FAZAL ELLAHI SYED SHAUKAT HUSSAIN DR.ABDUL WAHEED CH. ALLAH DITTA CH.MUHAMMAD ISMAIL MIRZA GHULAM HABIB	94.546	169.385	0.068	263.999	94.546	0.000	0.068	94.614	
41	HAJI MUHAMMAD BASHIR	HAJI MUHAMMAD BASHIR		0.108	0.403	0.000	0.511	0.108	0.000	0.403	0.511	
42	BILAL VEGETABLE GHEE IND (PVT) LTD. WEST JAESSEL WAHAN, JHANG ROAD, MUZAFFAR GARH.	SHAHID HUSSAIN HAJI ABID HUSSAIN HAJI MUHAMMAD HUSSAIN	MUSHTAQ AHMED MUSHTAQ AHMED FAIZ BUX	7.193	8.613	0.218	16.024	7.193	0.000	8.831	16.024	
43	NAEEM ENTERPRISES KHANEWAL ROAD. VEHARI	NADEEM IQBAL	AHMED SULTAN	0.561	2.777	0.000	3.338	0.561	0.000	2.777	3.338	
44	NATIONAL COTTON GINNING & PRESING FACTORY. MULTAN ROAD, LODHRAN.	MIAN MUHAMMAD ASLAM MIAN MUHAMMAD AAMIR	MIAN DUR MUHAMMAD MIAN MUHAMMAD ASLAM	0.814	0.380	0.000	1.194	0.814	0.000	0.380	1.194	
45	ZUBAIR CORPORATION COTTON GINNERS. 23/W, HOUSING SCHEME BUREWALA.	MUHAMMAD SARWAR	MUHAMMAD DIN	1.353	0.582	0.000	1.935	1.353	0.000	0.582	1.935	
46	CHROMOTECH (PVT) LIMITED. OFFICE: SUIT #402, SEA BREEZE PLAZA, KARACHI. FACTORY: C-223, HUB INDUSTRIAL ESTATE, DISTRICT. LASBELLA.	NOOR MUHAMMAD PARACHA MUHAMMAD HANIF PARACHA MRS. ROOHI BANO JAMAL HUSSAIN.	HAJI SULTAN M. PARACHA GHULAM SARWAR PARACHA W/O. NOOR PARACHA SHAFI AHMED	8.077	14.202	0.000	22.279	8.077	0.000	14.202	22.279	





## Annexure II

As referred to in notes 10.7 to the consolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM JANUARY 01, 2008 TO DECEMBER 31, 2008											
S. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors with NIC Nos.	Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year					Rupees in Million		
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total
1	2	3	4	5	6	7	8	9	10	11	12
58	J A S H 602, AVAZ PLAZA, SHAHRAH-E-FAISAL, KARACHI.	JAWED CHAUDRY 42301-9024596-7	CHAUDRY MAJEED	9.125	7.041	0.000	16.166	8.625	0.000	7.041	15.666
59	TAWAKKAL GARMENTS INDUSTRIES LIMITED. 6TH FLOOR, LAKSON SQUARE, BUILDING NO-1, SARWAR SHAHEED ROAD, KARACHI.	ABDUL QADIR TWAKKAL ALI HUSSAIN MOONEY IQBAL MEHDI MUHAMMAD YOUSUF MUHAMMAD RAFIQ MUHAMMAD SOHAIL MUHAMMAD FAROOQ	NOOR MUHAMMAD LATE HASAN ALI MEHDI ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL	65.954	56.166	0.000	122.120	65.954	0.000	56.166	122.120
60	TAWAKKAL LIMITED. 6TH FLOOR, LAKSON SQUARE, BUILDING NO-1, SARWAR SHAHEED ROAD, KARACHI.	ABDUL QADIR TWAKKAL ALI HUSSAIN MOONEY IQBAL MEHDI MUHAMMAD YOUSUF MUHAMMAD RAFIQ MUHAMMAD SOHAIL MUHAMMAD FAROOQ	NOOR MUHAMMAD LATE HASAN ALI MEHDI ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL ABDUL QADIR TAWKKAL	62.936	69.418	0.000	132.354	62.938	0.000	69.418	132.356
61	MAGH KNITTERS PVT LTD. 136-BILAL PARK CHUBURGI, LAHORE.	MOBEEN AHMED MST. NAZIR BEGUM MST. SURRAYYA BEGUM	MALIK MUHAMMAD SHAFIQ W/O. AZIZ UR REHMAN W/O. GHULAM MUHAMMAD	7.916	5.737	0.000	13.653	7.916	0.000	5.737	13.653
62	KOHINOOR LOOMS LIMITED 70-E71, GULBERG-II, LAHORE.	M. JAVED SAIGOL MRS. KATHERINE SAIGOL MISS MEHREEN SAIGOL MRS. TARFA SAIGOL MISS LENA SAIGOL A. SALEEM GHORI KHALID M. SHEIKH.	MIAN M. YOUSUF W/O. M. JAVED SAIGOL D/O. JAVED SAIGOL W/O. JAVED SAIGOL D/O. JAVED SAIGOL ABDUL HAKIM HAKEEM M. TAWAB	18.708	31.335	0.000	50.043	18.708	0.000	31.335	50.043
			<b>TOTAL</b>	<b>856.526</b>	<b>831.954</b>	<b>174.898</b>	<b>1,863.378</b>	<b>764.958</b>	<b>0.000</b>	<b>837.469</b>	<b>1,602.427</b>

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

### 1. DETAIL OF DISPOSAL OF FIXED ASSETS

Particulars	Rupees in '000					
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>Furniture and fixtures</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	53	52	1	7	As per Bank policy	Mr. Shoukat Ali Larik
	40	34	6	20	As per Bank policy	Mr. Aaqib Javed
	57	43	14	41	As per Bank policy	Mr. Zafar Mansoor Khan
	70	67	3	14	As per Bank policy	Mr. Aslam Sheikh
	40	34	6	55	As per Bank policy	Mr. Ejazuddin
	30	17	13	21	As per Bank policy	Mr. Sabir Hussain
	70	69	1	6	As per Bank policy	Mr. Rameez Hassan Raja
	30	25	5	32	As per Bank policy	Mr. Irshad Ali
	30	29	1	4	As per Bank policy	Mr. Alamdar. H Rizvi
	30	17	13	21	As per Bank policy	Mr. Ismail Mohammad Oza
	30	29	1	4	As per Bank policy	Mr. Muhammed Naseer
	40	38	2	29	As per Bank policy	Mr. Imanullah Kundi
	40	38	2	12	As per Bank policy	Mr. Aslam Tahir
	30	30	-	2	As per Bank policy	Mr. Said Bahadur Khan
	40	38	2	8	As per Bank policy	Ch Munir Akhtar
	55	48	7	18	As per Bank policy	Mr. Malik Naveed Ellahi
	40	34	6	15	As per Bank policy	Mr. Mehmood Ahmed Kayani
	30	26	4	9	As per Bank policy	Mr. Rais Ahmed
	53	51	2	6	As per Bank policy	Mr. Mohammad Ali Khan
	30	30	-	1	As per Bank policy	Mr. Aziz ur Rehman
	138	91	47	68	As per Bank policy	Mr. Khalid Mehboob
	53	51	2	7	As per Bank policy	Mr. Naseem Farooqi
	55	49	6	9	As per Bank policy	Mr. Muhammad Azam Usmani
	70	70	-	-	As per Bank policy	Mr. Habib ur Rehman
	40	38	2	8	As per Bank policy	Mr. Abdul Khaliq Choudry
	40	34	6	10	As per Bank policy	Mr. Faz Rasul
	4,125	931	3,194	3,432	As per Bank policy	Mr. Khalid A Sherwani
- Others	45,341	43,707	1,634	5,050	Various	Various
<b>Total</b>	<b>50,700</b>	<b>45,720</b>	<b>4,980</b>	<b>8,909</b>		
<b>Electrical, office and computer equipment</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	70	70	-	-	As per Bank policy	Mr. Shoukat Ali Larik
	27	27	-	-	As per Bank policy	Mr. Aaqib Javed
	58	57	1	12	As per Bank policy	Mr. Zafar Mansoor Khan
	56	56	-	-	As per Bank policy	Mr. Aslam Sheikh
	35	35	-	-	As per Bank policy	Mr. Ejazuddin
	36	33	3	12	As per Bank policy	Mr. Sabir Hussain
	47	47	-	-	As per Bank policy	Mr. Rameez Hassan Raja
	35	35	-	-	As per Bank policy	Mr. Irshad Ali
	34	34	-	-	As per Bank policy	Mr. Alamdar. H Rizvi
	38	35	3	13	As per Bank policy	Mr. Ismail Mohammad Oza
	39	39	-	-	As per Bank policy	Mr. Muhammed Naseer
	26	26	-	-	As per Bank policy	Mr. Imanullah Kundi
	35	35	-	-	As per Bank policy	Mr. Aslam Tahir
	33	31	2	44	As per Bank policy	Mr. Said Bahadur Khan
	25	25	-	-	As per Bank policy	Ch Munir Akhtar
	62	60	2	26	As per Bank policy	Mr. Malik Naveed Ellahi
	28	28	-	-	As per Bank policy	Mr. Mehmood Ahmed Kayani
	35	35	-	-	As per Bank policy	Mr. Rais Ahmed
	56	56	-	-	As per Bank policy	Mr. Mohammad Ali Khan
	24	24	-	-	As per Bank policy	Mr. Aziz ur Rehman
	100	99	1	-	As per Bank policy	Mr. Khalid Mehboob
	83	83	-	-	As per Bank policy	Mr. Naseem Farooqi
	50	45	5	8	As per Bank policy	Mr. Muhammad Azam Usmani
	63	63	-	-	As per Bank policy	Mr. Habib ur Rehman
	35	35	-	-	As per Bank policy	Mr. Abdul Khaliq Choudry
	26	26	-	-	As per Bank policy	Mr. Faz Rasul
	10	10	-	5	As per Bank policy	Mr. Naseem A. Farooqi
- Others	106,996	97,375	9,621	9,053	Various	Various
<b>Total</b>	<b>108,162</b>	<b>98,524</b>	<b>9,638</b>	<b>9,173</b>		

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

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Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>Vehicles</b>						
Honda Civic	1,506	602	904	1,205	As per Bank policy	Mr. Iqbal Zaidi
Honda Civic	1,506	251	1,255	1,205	As per Bank policy	Mr. Azfar Naqvi
Honda Civic	1,323	-	1,323	846	As per Bank policy	Mr. Shahid Raza
Honda Civic	1,287	837	450	695	As per Bank policy	Mr. Sawak Talati
Toyota Corolla	1,209	786	423	641	As per Bank policy	Mr. Muhammad Yaseen
Honda Civic	1,522	-	1,522	1,293	As per Bank policy	Mr. Tariq Mehmood
Toyota Camry	2,750	-	2,750	2,521	As per Bank policy	Mr. Shahid Raza
Honda Civic	1,323	-	1,323	767	As per Bank policy	Mr. Javed Iqbal
Honda Civic	1,564	-	1,564	1,433	As per Bank policy	Mr. Abdul Hafeez Butt
Toyota Corolla	1,005	-	1,005	946	As per Bank policy	Mr. Nasir Javaid
Honda Civic	1,506	176	1,330	1,119	As per Bank policy	Mr. Saif-ul-Islam
Toyota Camry	2,750	-	2,750	2,459	As per Bank policy	Mr. Ali Asfar Naqvi
Toyota Altis	1,309	-	1,309	615	As per Bank policy	Mr. Afzal H. Bokhari
Honda Civic	1,281	363	918	684	As per Bank policy	Mr. Khawaja Muhammad Almas
Honda Civic	1,564	-	1,564	1,372	As per Bank policy	Mr. Aun Ali
Honda Civic	1,506	201	1,305	998	As per Bank policy	Mr. Shafique Ahmed Uqaili
Honda Civic	1,287	751	536	695	As per Bank policy	Mr. Fareed Vardag
Toyota Camry	2,750	-	2,750	2,459	As per Bank policy	Mr. Iqbal Zaidi
Toyota Camry	2,750	-	2,750	2,567	As per Bank policy	Mr. Zia Ijaz
Toyota Altis	1,309	-	1,309	759	As per Bank policy	Mr. Muhammad Sardar Khwaja.
Honda Civic	1,564	-	1,564	1,355	As per Bank policy	Mr. Muhammad Asim Tufail
Sportage Jeep	1,572	1,572	-	610	Auction	Mr. Asif
Honda Accord	2,410	1,245	1,165	1,525	As per Bank policy	Mr. Khalid Sherwani
Toyota Camry	2,699	1,394	1,305	1,617	As per Bank policy	Mr. Khalid Sherwani
Toyota Corolla	1,005	151	854	905	As per Bank policy	Ms Scellina Nawaz.
Honda Civic	969	65	904	775	As per Bank policy	Mr. Shahid Raza
Toyota Corolla	969	258	711	659	As per Bank policy	Mr. Ziaullah Chaudhry
Toyota Corolla	969	630	339	514	As per Bank policy	Mr. Abdul Aleem Qureshi
Toyota Corolla	879	234	645	609	As per Bank policy	Mr. Ahmed Faraz Qahir
Honda City	846	226	620	598	As per Bank policy	Mr. Naveed Nasim
Toyota Corolla	969	630	339	581	As per Bank policy	Mr. Waheed-ur-Rehman
Toyota Corolla	969	630	339	533	As per Bank policy	Mr. Iqbal Abdulla
Toyota Corolla	969	630	339	504	As per Bank policy	Mr. Muhammad Yaseen
Toyota Corolla	969	258	711	659	As per Bank policy	Mr. Javed Iqbal
Toyota Corolla	969	630	339	523	As per Bank policy	Mr. Junaid Alam
Honda City	901	240	661	613	As per Bank policy	Mr. Asim Mustafa
Toyota Corolla	969	258	711	646	As per Bank policy	Mr. Freddy Sethna
Toyota Corolla	969	-	969	749	As per Bank policy	Mr. Javed Iqbal
Toyota Corolla	969	113	856	749	As per Bank policy	Mr. Tariq Mehmood
Toyota Corolla	879	249	630	621	As per Bank policy	Mr. Tanveer Hussain
Honda City	936	265	671	730	As per Bank policy	Miss Nadia Tabasum
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. Naseem A. Farooqi
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. Farooq Ayub
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Toyota Corolla	915	-	915	930	Negotiation	M/s Suzuki Macca Motors
Honda City	934	-	934	819	As per Bank policy	Mr. Sajjad Hussain
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Maqsood A. Yousafani
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Syed M. Taqi Shah
Toyota Corolla	879	249	630	523	As per Bank policy	Mr. Tariq Ahmed Mahmood
Toyota Corolla	969	275	694	525	As per Bank policy	Mr. Adnan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Aftab Alam Bhutto
Toyota Corolla	879	249	630	536	As per Bank policy	Mr. Dil Nawaz Yousaf
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Bashir Merchant
Honda City	854	142	712	720	As per Bank policy	Mr. Shams-uz-Zaman
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Aftab Ali Khan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Ramz Ali Larik
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Noor Muhammad Chauhan
Honda City	934	-	934	856	As per Bank policy	Mr. Shafique Ahmed Uqaili
Toyota Corolla	879	-	879	790	As per Bank policy	Mr. Shahid Mehmood Alam
Toyota Corolla	893	-	893	854	As per Bank policy	Mr. Abdul Malik
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Javed Iqbal Bajwa
Toyota Corolla	893	-	893	819	As per Bank policy	Mr. Muhammad Azhar Khan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Shahid Sarwar
Honda City	854	-	854	740	As per Bank policy	Mr. Khurshid Anwar
Toyota Corolla	879	249	630	566	As per Bank policy	Mr. Nelson Francis
Toyota Corolla	969	275	694	551	As per Bank policy	Mr. Imran Maqsood
Toyota Corolla	879	249	630	536	As per Bank policy	Mr. Mirza Dilshad Baig
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Fayyaz M Quershi
Toyota Corolla	915	-	915	803	As per Bank policy	Mr. Iqan ullah Raja
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Tariq Mahmood Shahid
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Iftikhar Hussain Mir
Toyota Corolla	879	249	630	516	As per Bank policy	Mr. Muhammad Raffat
Honda City	893	-	893	818	As per Bank policy	Mr. Muhammad Asad Khan
Toyota Corolla	879	249	630	506	As per Bank policy	Ms Masooda Ahmed
Honda City	936	265	671	615	As per Bank policy	Mr. Syed Ali Raza
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Saleem Ahmed
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Rafiq Kashmiri

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Honda City	854	-	854	740	As per Bank policy	Mr. Pervaiz Hussain
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Abid Gahfoor
Toyota Corolla	969	275	694	564	As per Bank policy	Mr. Khalid Sohail Azmi
Toyota Corolla	879	73	806	632	As per Bank policy	Mr. Syed Ibrahim Hassan
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Abdur Rahim Khan
Toyota Corolla	879	249	630	503	As per Bank policy	Mr. Syed Zaki Ahmed
Toyota Corolla	879	249	630	528	As per Bank policy	Mr. Syed Waqar Haider
Toyota Corolla	969	275	694	596	As per Bank policy	Mr. Anwar Viance
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Riaz Ali
Toyota Corolla	915	-	915	839	As per Bank policy	Mr. M.Irshad Akbar
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Ernest John Jalaluddin
Honda City	934	-	934	803	As per Bank policy	Mr. Syed Hassan Rizvi
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Nasim Ahmed Junejo
Toyota Corolla	879	249	630	554	As per Bank policy	Mr. Muhammad Hussain
Toyota Corolla	969	371	598	582	As per Bank policy	Mr. Abdus Salam Khan
Toyota Corolla	879	249	630	503	As per Bank policy	Mr. Ahmer Humayun
Toyota Corolla	879	249	630	519	As per Bank policy	Mr. S.M.I.Rizwe
Toyota Corolla	893	-	893	818	As per Bank policy	Mr. Umer Farooq
Toyota Corolla	969	371	598	773	As per Bank policy	Mr. Naeem Akthar Rizvi
Toyota Corolla	893	-	893	823	As per Bank policy	Mr. Saif-Ud-Din Ahmed
Honda City	901	255	646	597	As per Bank policy	Mr. Zubair Sharif
Honda City	854	-	854	740	As per Bank policy	Mr. Mazhar Imam Zaidi
Honda City	846	-	846	662	As per Bank policy	Mr. Kaizad Malvalava
Toyota Corolla	969	501	468	357	As per Bank policy	Mr. Zeeshan Rafiq
Toyota Corolla	981	-	981	882	As per Bank policy	Mr. Asim Tufail
Honda City	854	-	854	740	As per Bank policy	Mr. Shakeel Ahmad
Honda City	901	120	781	635	As per Bank policy	Mr. Baber Pervez
Honda City	901	-	901	597	As per Bank policy	Mr. Muhammad Zikria
Toyota Corolla	981	-	981	905	As per Bank policy	Mr. Muhammad Tariq Khan
Toyota Corolla	969	581	388	514	As per Bank policy	Mr. Fareed Vardag
Toyota Corolla	879	73	806	685	As per Bank policy	Mr. Ahsan Ashrat
Toyota Corolla	849	325	524	316	As per Bank policy	Mr. Javed Abbas
Toyota Corolla	903	90	813	833	As per Bank policy	Mr. Muhammad Pervaiz
Honda City	909	121	788	756	As per Bank policy	Mr. Zia Ijaz
Toyota Corolla	879	117	762	641	As per Bank policy	Mr. Sohail Aziz Zaidi
Honda City	934	-	934	814	As per Bank policy	Ms Nadia Tabassum
Honda City	854	-	854	740	As per Bank policy	Mr. Salah Uddin Khan
Toyota Corolla	893	-	893	803	As per Bank policy	Mr. Alee Khalid Ghaznavi
Toyota Corolla	893	-	893	834	As per Bank policy	Mr. Nadeem Asghar Ansari
Honda City	901	255	646	529	As per Bank policy	Mr. Sohail Aziz
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. M.Azizul Haq Quershi
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Rahat Nadeem
Toyota Corolla	879	249	630	506	As per Bank policy	Mr. Muhammad Nabi Alam
Toyota Corolla	879	249	630	566	As per Bank policy	Mr. Arif Mansoor
Toyota Corolla	879	249	630	499	As per Bank policy	Mr. Mirza Muhammad Yousaf
Toyota Corolla	893	-	893	834	As per Bank policy	Mr. M.Riaz Siddiqui
Toyota Corolla	969	275	694	554	As per Bank policy	Mr. Anwar uddin Memon
Toyota Corolla	969	517	452	581	As per Bank policy	Mr. Muhammad Sardar Khwaja.
Toyota Corolla	969	517	452	552	As per Bank policy	Mr. Sajid P. Ansari.
Toyota Corolla	969	630	339	514	As per Bank policy	Mr Aizad Gill
Honda City	885	531	354	329	As per Bank policy	Mr. Raheel Qamar Ahmed
Toyota Corolla	879	381	498	750	Insurance	EFU Insurance Company
Toyota Corolla	969	-	969	749	As per Bank policy	Mr. Azhar A. Jaffri
Toyota Corolla	969	323	646	554	As per Bank policy	Mr. Danish Shahryar
Toyota Corolla	969	549	420	357	As per Bank policy	Mr. Hermond Javed Bhatti
Toyota Corolla	879	293	586	586	As per Bank policy	Mr. Qaseem Nawaz
Toyota Corolla	969	565	404	402	As per Bank policy	Mr. S.A.H Chishti
Honda City	854	-	854	740	As per Bank policy	Mr. Pervaiz Akhtar
Toyota Corolla	925	185	740	827	As per Bank policy	Mr Shafique Ahmed
Toyota Corolla	969	614	355	392	As per Bank policy	Mr Tariq Javed Ghumman.
Toyota Corolla	879	352	527	499	As per Bank policy	Mr Ishtiaq Hussain.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr Qamar Abbas.
Toyota Corolla	981	218	763	921	As per Bank policy	Mr Asadullah Beg.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr I.A.Khairi.
Honda City	854	213	641	720	As per Bank policy	Mr Vinod Khumar.
Toyota Corolla	879	352	527	499	As per Bank policy	Mr Sahriq Umer.
Honda City	854	213	641	720	As per Bank policy	Mr Nazir Ahmed Memon.
Toyota Corolla	879	220	659	599	As per Bank policy	Mr Owais Shahid.
Toyota Corolla	879	132	747	624	As per Bank policy	Mr Syed Ahmed.
Toyota Corolla	969	388	581	610	As per Bank policy	Mr Khalid Masud
Honda City	854	213	641	720	As per Bank policy	Mr Khurram Khan.
Toyota Corolla	969	-	969	692	As per Bank policy	Mr Usman Afzal Khan.
Toyota Corolla	879	352	527	536	As per Bank policy	Mr Siddque Ibrahim.
Honda Civic	1,287	1,008	279	556	As per Bank policy	Mr Muhammad Javed Iqbal
Toyota Corolla	879	352	527	920	Auction	Mr. Syed Riaz Ahmed
Toyota Corolla	969	485	484	956	Auction	Mr. Muhammad Junaid
Toyota Corolla	879	440	439	930	Auction	Mr. Abdul Rauf
Suzuki Cultus	660	165	495	755	Auction	Mr. Rashid Ayub
Toyota Corolla	879	352	527	950	Auction	Mr. Syed Riaz Ahmed
Toyota Altis	1,309	785	524	921	As per Bank policy	Mr. Neaveed Masud
Toyota Corolla	977	98	879	508	As per Bank policy	Mr. Nisar Ahmed

**Annexure III**

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

Particulars	Rupees in '000					Particulars of purchaser
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	
Toyota Corolla	1,506	25	1,481	1,272	As per Bank policy	Mr. S.M. Zia
Toyota Corolla ABL - AMC	1,506	25	1,481	1,179	As per Bank policy	Mr. Azhar A. Jaffri
Honda Civic	1,522	228	1,294	1,294	As per company policy	Mr. Anis ur Rehman - CEO
Honda Civic	1,563	183	1,380	1,380	As per company policy	Mr. Sulaiman S. Mehdi - COO
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	35,309	33,824	1,485	16,903	Various	Various
<b>Total</b>	<b>206,943</b>	<b>74,403</b>	<b>132,540</b>	<b>139,409</b>		
<b>Leasehold improvement</b>						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,720	1,614	1,106	663	Various	Various
<b>December 31, 2008</b>	<b>365,440</b>	<b>219,850</b>	<b>145,590</b>	<b>155,480</b>		
<b>December 31, 2007</b>	<b>120,318</b>	<b>71,594</b>	<b>48,724</b>	<b>63,021</b>		



## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

### 2. LOCATION OF REVALUED PROPERTIES

Date of Purchase	Revaluation Date	Particulars	City Location
24.10.1984	December 31, 2008	BANKS SQUARE CHATTER, MUZAFARABAD.	AZAD KASHMIR
29.07.1975	December 31, 2008	PLOT NO. 631 SECTOR B-1 , MIRPUR.	AZAD KASHMIR
19.09.1996	December 31, 2008	MUNIR SHAHEED CHOWK AHMED PUR EAST, BAHAWALPUR .	BAHAWALPUR
25.11.2008	December 31, 2008	AHMED PUR ROAD DUBAI CHOWK, BAHAWALPUR.	BAHAWALPUR
25.09.2008	December 31, 2008	COMMERCIAL MARKET CHAKLALA SCHEME- III , CHAKLALA CANTT.	CHAKLALA
19.08.2005	December 31, 2008	GARHHA BRANCH, CHINIOT, JHANG .	CHINIOT
05.09.2006	December 31, 2008	GHULAM MUHAMMAD ABAD BRANCH, FAISALABAD .	FAISALABAD
23.12.1970	December 31, 2008	GOLE CLOTH BAZAR BRANCH, FAISALABAD .	FAISALABAD
28.06.1997	December 31, 2008	JINNAH COLONY BRANCH, FAISALABAD .	FAISALABAD
27.06.2005	December 31, 2008	KOTWALI ROAD BRANCH, FAISALABAD .	FAISALABAD
30.06.2005	December 31, 2008	MONTGOMRY BAZAR BRANCH, FAISALABAD .	FAISALABAD
14.12.1998	December 31, 2008	REGENCY ARCADE BRANCH, FAISALABAD .	FAISALABAD
15.09.1996	December 31, 2008	SITARA TOWER BRANCH, FAISALABAD .	FAISALABAD
31.08.2008	December 31, 2008	PLOT AT AMIN TOWN, FAISALABAD.	FAISALABAD
22.10.2005	December 31, 2008	JAIL ROAD BRANCH, FAISALABAD .	FAISALABAD
29.06.2005	December 31, 2008	MADINA TOWN BRANCH, FAISALABAD.	FAISALABAD
31.12.2005	December 31, 2008	PEOPLES COLONY BRANCH, FAISALABAD.	FAISALABAD
22.10.2005	December 31, 2008	SATYANA ROAD BRANCH, FAISALABAD.	FAISALABAD
20.12.1999	December 31, 2008	BANK SQUARE BRANCH, GUJRANWALA .	GUJRANWALA
30.06.2006	December 31, 2008	CLIMAXABADABAD TOWN BRANCH, GUJRANWALA.	GUJRANWALA
24.03.2007	December 31, 2008	SHARAH-E-NOOR MUHAMMAD ROAD, TILAK INCLINE, HYDERABAD.	HYDERABAD
15.09.2007	December 31, 2008	HAJI ADAM REHMANI CENTER SADDAR, BOHRI BAZAR, HYDERABAD.	HYDERABAD
08.07.1999	December 31, 2008	CITIZEN COLONY BRANCH, HYDERABAD .	HYDERABAD
31.07.1996	December 31, 2008	CIVIC CENTER BRANCH, HYDERABAD.	HYDERABAD
20.07.1975	December 31, 2008	CIBG BRANCH JINNAH AVENUE BLUE AREA, ISLAMABAD .	ISLAMABAD
09.09.2006	December 31, 2008	F-11 MARKAZ ,ISLAMABAD.	ISLAMABAD
30.10.2006	December 31, 2008	FARHAN PLAZA G-11 , ISLAMABAD.	ISLAMABAD
19.05.2006	December 31, 2008	F-10 MARKAZ, ISLAMABAD.	ISLAMABAD
15.12.2006	December 31, 2008	F-6 MARKAZ, ISLAMABAD.	ISLAMABAD
11.11.2006	December 31, 2008	F-8 MARKAZ, ISLAMABAD.	ISLAMABAD
09.10.2007	December 31, 2008	SECTOR G-8, ISLAMABAD.	ISLAMABAD
26.11.2008	December 31, 2008	DHA PHASE - II ,ISLAMABAD.	ISLAMABAD
27.06.2007	December 31, 2008	MANDI FAIZABAD JARANWALA ROAD DISTRICT, NANKANA SHAIB.	JARANWALA
31.12.2007	December 31, 2008	PLOT NO. D-283, SITE, KARACHI.	KARACHI
19.12.2007	December 31, 2008	KHAYABAN-E-ITTEHAD, PHASE VII, D.H.A, KARACHI .	KARACHI
31.08.2008	December 31, 2008	BINNORI TOWN BRANCH, KARACHI.	KARACHI
29.11.2006	December 31, 2008	KARIMABAD BRANCH, KARACHI .	KARACHI
31.08.1998	December 31, 2008	NEW CHALLI BRANCH, KARACHI.	KARACHI
31.08.2008	December 31, 2008	REGENCY APARTMENT, KARACHI.	KARACHI
31.05.2008	December 31, 2008	SALEH MOHAMMAD STREET BRANCH, KARACHI.	KARACHI
09.03.2005	December 31, 2008	BATH ISLAND OPEN PLOT CLIFTON, KARACHI.	KARACHI
25.08.1999	December 31, 2008	JADE GARDEN CLIFTON, KARACHI.	KARACHI
21.12.2005	December 31, 2008	KHE-E-KHALID GUEST HOUSES, KARACHI.	KARACHI
22.05.2006	December 31, 2008	NEW SABZIMANDI BRANCH, KARACHI.	KARACHI
10.06.2000	December 31, 2008	S.I.T.E. BRANCH, KARACHI.	KARACHI
31.03.2008	December 31, 2008	STAR GATE BRANCH, KARACHI.	KARACHI
05.08.1999	December 31, 2008	BANGULORE TOWN, KARACHI.	KARACHI
27.08.2003	December 31, 2008	K.S.E. BRANCH , KARACHI.	KARACHI
09.08.1999	December 31, 2008	LAKSON SQUARE, KARACHI.	KARACHI
26.05.2000	December 31, 2008	P.I.B. BRANCH, KARACHI.	KARACHI
12.07.1999	December 31, 2008	SAIMA TOWER BRANCH, KARACHI.	KARACHI
09.10.1988	December 31, 2008	ZAIBUNNISA STREET SADDAR, KARACHI.	KARACHI
01.01.1985	December 31, 2008	TAJ COMPLEX, MAIN M.A. JINNAH ROAD, KARACHI.	KARACHI
08.11.1993	December 31, 2008	HYDRI BRANCH NORTH NAZIMABAD, KARACHI.	KARACHI
08.10.1986	December 31, 2008	BUFFER ZONE BRANCH NORTH KARACHI, KARACHI.	KARACHI
17.12.1987	December 31, 2008	BOATING BASIN BRANCH CLIFTON, KARACHI.	KARACHI
30.06.2006	December 31, 2008	ZAMZAMA PHASE-V, D.H.A. KARACHI.	KARACHI
30.09.1998	December 31, 2008	BADAR COMMERCIAL AREA, PHASE-V EXT., D.H.A. KARACHI.	KARACHI
27.11.1996	December 31, 2008	JAMI ARCADE BRANCH, PHASE-II EXT. D.H.A., KARACHI.	KARACHI
29.06.1998	December 31, 2008	DEFENCE GARDEN, PHASE-I, D.H.A., KARACHI.	KARACHI
19.08.1998	December 31, 2008	CLOTH MARKET BRANCH M.A. JINNAH ROAD, KARACHI.	KARACHI
15.09.1998	December 31, 2008	BABA-E-URDU BRANCH, KARACHI.	KARACHI
05.06.1985	December 31, 2008	AMBER TOWER BRANCH SHAHRAH-E-FAISAL, KARACHI.	KARACHI
20.03.1979	December 31, 2008	DADABHOY CENTRE BRANCH , SHAHRAH-E-FAISAL, KARACHI.	KARACHI
29.12.1996	December 31, 2008	KHALID BIN WALEED ROAD BRANCH, KARACHI.	KARACHI
20.03.1998	December 31, 2008	NURSERY BRANCH P.E.C.H.S. COMMERCIAL AREA, KARACHI.	KARACHI
11.08.1998	December 31, 2008	BLOCK-K, NORTH NAZIMABAD BRANCH, KARACHI.	KARACHI
09.08.1980	December 31, 2008	MAIN UNIVERSITY ROAD BRANCH, KARACHI.	KARACHI
16.02.1986	December 31, 2008	RASHID MINHAS ROAD BRANCH GULSHAN-E-IQBAL, KARACHI.	KARACHI
30.04.2008	December 31, 2008	AKBAR PARADISE, BLOCK A, RASHID MINHAS ROAD, KARACHI.	KARACHI
07.01.2008	December 31, 2008	SUNSET BOULEVARD BRANCH PHASE-II, D.H.A.,KARACHI.	KARACHI
31.05.2008	December 31, 2008	PLOT NO. 24-C, 26TH STREET, PHASE-V, D.H.A., KARACHI.	KARACHI
29.09.1999	December 31, 2008	STAR GATE BRANCH FORT SULTAN BUILDING, KARACHI.	KARACHI
15.08.1994	December 31, 2008	BAHADURABAD BRANCH, KARACHI.	KARACHI
29.02.2008	December 31, 2008	S.M.C.H.S. BRANCH SARWAT PLAZA, KARACHI.	KARACHI
24.02.1992	December 31, 2008	ABDULLAH HAROON ROAD BRANCH TRADE TOWER, KARACHI.	KARACHI
24.02.1992	December 31, 2008	2ND & 3RD FLOOR, ABDULLAH HAROON ROAD TRADE TOWER, KARACHI.	KARACHI

## Annexure III

As referred to in notes 11.4, 11.12 and 11.13 to the consolidated financial statements

Date of Purchase	Revaluation Date	Particulars	City Location
30.09.2005	December 31, 2008	BROADWAY CLIFTON BRANCH, KARACHI.	KARACHI
30.10.1996	December 31, 2008	CENTRAL OFFICE MAIN CLIFTON ROAD, BATH ISLAND, KARACHI.	KARACHI
08.11.1986	December 31, 2008	AMBER PALACE BRANCH MAIN SHAHRAH-E-FAISAL, KARACHI.	KARACHI
30.12.1966	December 31, 2008	BUNGALOW NO. 44-D, BLOCK-6, PECHS, KARACHI.	KARACHI
30.12.1966	December 31, 2008	PLOT NO. 72S, BLOCK-6, P.E.C.H.S., KARACHI	KARACHI
17.07.1975	December 31, 2008	PLOT NO. G.K. 7/74, GHULAM HUSSAIN QUARTERS, KARACHI.	KARACHI
21.12.2005	December 31, 2008	SERAI QUARTERS, ALTAF HUSSAIN ROAD, KARACHI.	KARACHI
30.06.2007	December 31, 2008	SCHON CIRCLE CLIFTON BRANCH, KARACHI.	KARACHI
15.12.2008	December 31, 2008	GULSHAN E MAYMAR, KARACHI.	KARACHI
29.12.2008	December 31, 2008	SAFOORA GOTH, KARACHI.	KARACHI
01.10.1973	December 31, 2008	30-NAPIER ROAD, LAHORE.	LAHORE
22.04.1985	December 31, 2008	BAKHSHI MARKET NEW ANARKALI, LAHORE.	LAHORE
30.05.2006	December 31, 2008	INDUSTRIAL AREA BRANCH, BADAMI BAGH, LAHORE .	LAHORE
27.12.1994	December 31, 2008	BRANDRETH ROAD BRANCH, LAHORE.	LAHORE
10.09.1999	December 31, 2008	L.D.A WASA BRANCH, LAHORE.	LAHORE
30.12.2006	December 31, 2008	PLOT # 11 BLOCK B FAISAL TOWN, LAHORE.	LAHORE
31.05.1992	December 31, 2008	QILA GUJJAR SINGH BRANCH, LAHORE	LAHORE
29.08.1994	December 31, 2008	SAMANABAD BRANCH, LAHORE.	LAHORE
09.09.1992	December 31, 2008	SAMANABAD BRANCH, LAHORE.	LAHORE
23.09.1996	December 31, 2008	MODEL TOWN BRANCH, LAHORE.	LAHORE
29.01.1981	December 31, 2008	PLOT # 1 KHYBER BLOCK IQBAL TOWN, LAHORE.	LAHORE
30.05.2006	December 31, 2008	MAIN CIRCULAR ROAD OUTSIDE LAHORI GATE, LAHORE .	LAHORE
27.12.2007	December 31, 2008	BLOCK Z PHASE 3C DHA, LAHORE.	LAHORE
26.05.2006	December 31, 2008	BLOCK CCA-PHASE 4C DHA, LAHORE.	LAHORE
21.08.2006	December 31, 2008	PHASE 6C, MAIN BOULEVARD DHA, LAHORE.	LAHORE
25.01.1987	December 31, 2008	CENTRE POINT MAIN BOULEVARD GULBERG, LAHORE.	LAHORE
19.05.2007	December 31, 2008	G.T ROAD, BAGHBANPURA, LAHORE.	LAHORE
30.04.2008	December 31, 2008	QUAID E AZAM INDUSTRIAL ESTATE KOT LAKHPAT, LAHORE.	LAHORE
11.08.1993	December 31, 2008	KASHMIR ROAD BRANCH, LAHORE.	LAHORE
16.08.1992	December 31, 2008	PLOT AT KASHMIR ROAD, LAHORE.	LAHORE
17.05.1995	December 31, 2008	199-UPPER MALL, LAHORE.	LAHORE
19.08.2006	December 31, 2008	200-B, UPPER MALL BRANCH, LAHORE.	LAHORE
18.12.1998	December 31, 2008	199-A, UPPER MALL, LAHORE.	LAHORE
30.12.2006	December 31, 2008	14- GULSHAN BLOCK ALLAMA IQBAL TOWN, LAHORE.	LAHORE
26.05.2006	December 31, 2008	AIR PORT ROAD,GHAZI ROAD, LAHORE.	LAHORE
17.07.2007	December 31, 2008	DHA PHASE VI - C ,LAHORE.	LAHORE
19.09.2006	December 31, 2008	GARDEN TOWN,LAHORE.	LAHORE
04.09.2007	December 31, 2008	GREEN TOWN, LAHORE.	LAHORE
06.09.2006	December 31, 2008	GULLBERG 2 BLOCK B, LAHORE.	LAHORE
22.06.2007	December 31, 2008	HYDER ROAD TOWNSHIP, LAHORE.	LAHORE
30.06.2007	December 31, 2008	JOHAR TOWN, LAHORE.	LAHORE
30.06.2006	December 31, 2008	PHASE - 5 D.H.A, LAHORE.	LAHORE
30.06.2006	December 31, 2008	WAHDAT COLONY PLAZA, LAHORE.	LAHORE
29.12.2008	December 31, 2008	S-37-R-1478/, BEADON ROAD, LAHORE.	LAHORE
29.12.2008	December 31, 2008	BADAMI BAGH, LAHORE.	LAHORE
29.11.2008	December 31, 2008	PLOT 3-1, I-9 MARKAZ BRANCH, ISLAMABAD.	LAHORE
13.10.1973	December 31, 2008	PLOT AT BUNDER ROAD, LARKANA.	LARKANA
07.03.2006	December 31, 2008	ABDALI ROAD, MULTAN.	MULTAN
31.03.2008	December 31, 2008	PROPERTY # 477-4-2 NEAR BCG CHOWK, VEHARI ROAD, MULTAN.	MULTAN
10.11.2008	December 31, 2008	PROPERTY SITUATED NEAR CHOWK SHAH ABBAS, MULTAN.	MULTAN
19.05.2007	December 31, 2008	RASHEED ABAD CHOWK KHANEWAL ROAD, MULTAN.	MULTAN
02.08.1999	December 31, 2008	8-A QUAID- E- AZAM ROAD, MULTAN.	MULTAN
30.03.2007	December 31, 2008	MOUZA NEILKOT, MULTAN.	MULTAN
16.02.2007	December 31, 2008	GULGASHT COLONY BOSAN ROAD, MULTAN.	MULTAN
08.11.2006	December 31, 2008	AZIZ SHAHEED ROAD, MULTAN CANTT.	MULTAN
31.05.2008	December 31, 2008	MASJID ROAD, NAWABSHAH.	NAWABSHAH
15.08.1966	December 31, 2008	CAVALRY ROAD BRANCH, NOWSHERA.	NOWSHERA
14.11.1997	December 31, 2008	PHASE V HAYATABAD, SATELLITE TOWN, PESHAWAR.	PESHAWAR
12.11.1995	December 31, 2008	PLOT NO.14 PHASE -VII SATELLITE TOWN HAYATABAD, PESHAWAR.	PESHAWAR
17.08.1994	December 31, 2008	PLOT NO-37 PHASE-VII SATELLITE TOWN HAYATABAD, PESHAWAR.	PESHAWAR
20.07.2007	December 31, 2008	QUANDHARI BAZAR BRANCH, QUETTA.	QUETTA
23.06.1999	December 31, 2008	HAZAR GANJI BRANCH, QUETTA.	QUETTA
04.03.1979	December 31, 2008	SATELLITE TOWN, QUETTA.	QUETTA
29.04.1982	December 31, 2008	SIRKI ROAD BRANCH, QUETTA.	QUETTA
20.04.1994	December 31, 2008	NEW SADIQ BAZAR, RAHIM YAR KHAN.	RAHIM YAR KHAN
31.08.2008	December 31, 2008	MURREE ROAD SATELLITE TOWN, RAWALPINDI.	RAWALPINDI
11.12.1997	December 31, 2008	ASGHAR MALL BRANCH, RAWALPINDI.	RAWALPINDI
20.07.1975	December 31, 2008	TRUNK BAZAR CITY,RAWALPINDI.	RAWALPINDI
05.06.1997	December 31, 2008	KASHMIR ROAD, RAWALPINDI CANTT.	RAWALPINDI
07.05.1990	December 31, 2008	SMALL INDUSTRIES ESTATES, SAHIWAL.	SAHIWAL
29.07.1975	December 31, 2008	BLOCK NO. 1, SARGODHA.	SARGODHA
29.12.1997	December 31, 2008	AKBAR BAZAR BRANCH, SHEIKHUPURA .	SHEIKHUPURA
08.05.1994	December 31, 2008	GRAIN MARKET, VEHARI.	VEHARI

Pattern of Shareholding as on December 31, 2008  
Allied Bank Limited

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
7625	1	100	292,902
8936	101	500	1,851,258
1617	501	1000	1,128,392
1687	1001	5000	3,613,008
322	5001	10000	2,234,494
116	10001	15000	1,430,682
68	15001	20000	1,186,330
28	20001	25000	638,840
21	25001	30000	575,810
14	30001	35000	446,247
6	35001	40000	229,267
5	40001	45000	215,113
6	45001	50000	290,854
2	50001	55000	105,454
6	55001	60000	350,414
6	60001	65000	381,967
2	65001	70000	134,520
3	70001	75000	215,456
1	75001	80000	75,736
1	90001	95000	90,974
7	95001	100000	689,529
2	100001	105000	205,654
2	105001	110000	217,240
1	115001	120000	120,000
1	120001	125000	122,700
1	130001	135000	130,800
1	140001	145000	140,680
1	155001	160000	157,696
2	160001	165000	322,506
2	165001	170000	336,547
1	170001	175000	175,000
1	175001	180000	176,500
3	180001	185000	550,300
1	185001	190000	186,021
1	195001	200000	200,000
1	220001	225000	220,900
1	235001	240000	240,000
1	305001	310000	305,880
1	335001	340000	339,031
1	380001	385000	382,920
1	435001	440000	435,180
1	500001	505000	501,680
3	510001	515000	1,543,146
1	660001	665000	664,056
1	720001	725000	724,450
1	915001	920000	917,000
1	960001	965000	964,900
1	995001	1000000	1,000,000
1	1065001	1070000	1,069,519
1	1500001	1505000	1,502,100
1	1755001	1760000	1,756,474
1	1780001	1785000	1,782,638
1	2585001	2590000	2,585,720
1	5970001	5975000	5,974,269
3	7720001	7725000	23,161,426
1	8165001	8170000	8,167,530
1	9030001	9035000	9,034,482
1	13355001	13360000	13,356,375
1	56895001	56900000	56,899,348
1	58965001	58970000	58,968,382
1	86420001	86425000	86,422,138
1	86695001	86700000	86,699,802
1	261525000	261530000	261,526,088
20,530			646,364,325

## Pattern of Shareholding as on December 31, 2008

### Allied Bank Limited

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Categories of Shareholders		No. of Shares	%age	
<b>1. Associated Companies, undertaking and related parties.</b>				
Ibrahim Fibres Limited.	Sponsors	1	261,526,088	40.46
M/s Ibrahim Agencies (Pvt.) Limited.	Sponsors	1	58,968,382	9.12
		2	320,494,470	49.58
<b>2. NIT and ICP</b>				
National Bank of Pakistan, Trustee Dept.		1	1,782,638	0.28
IDBP (ICP Unit)		1	9,082	0.00
		2	1,791,720	0.28
<b>3. Directors, Chief Executive Officer, and their spouses</b>				
Mohammed Naeem Mukhtar		1	86,422,138	13.37
Mrs. Ghazala Naeem		1	339,031	0.05
Mohammed Waseem Mukhtar		1	86,699,802	13.41
Mrs. Bina Sheikh		1	51,454	0.01
Sheikh Mukhtar Ahmed		1	514,346	0.08
Mrs. Iqbal Begum		1	435,180	0.07
Abdul Aziz Khan		1	12,058	0.00
Jalees Ahmed		1	7,849	0.00
Tasneem M. Noorani		1	3,600	0.00
Mubashir A. Akhtar		1	3,600	0.00
Mohammad Aftab Manzoor		1	3,000	0.00
Pervaiz Iqbal Butt		1	3,000	0.00
		12	174,495,058	27.00
<b>4. Shares held by the Executives of the Bank</b>		67	241,084	0.04
<b>5. Public Sector Companies and Corporations</b>		Nil	Nil	Nil
(other than those covered in Insurance Companies and Banks)				
<b>6. Banks, DFIs, Financial Institutions and NBFIs.</b>				
State Bank of Pakistan		1	65,066,878	10.07
Standard Chartered Bank (Pakistan) Limited.		1	1,799	0.00
First Credit & Investment Bank Limited		1	1,395	0.00
NIB Bank Limited		1	514,800	0.08
Invest Capital Investment Bank Limited		1	10,047	0.00
United Bank Limited -Trading Portfolio		1	202,689	0.03
Saudi Pak Leasing Company Ltd.		1	50,000	0.01
Saudi Pak Investment Co.		1	44,800	0.01
Escorts Investment Bank Limited		1	25,183	0.00
The Bank of Khyber		1	18,000	0.00
National Bank of Pakistan		1	204,353	0.03
MCB Bank Limited -Treasury		1	2,891,600	0.45
Orix Leasing Pakistan Limited		1	33,480	0.01
Orix Investment Bank Pakistan Ltd.		1	362	0.00
First Dawood Investment Bank Limited		1	21,804	0.00
Pak-Oman Investment Company Ltd.		1	724,450	0.11
Askari Bank Ltd.		1	3,387	0.00
Arif Habib Bank Ltd.		1	111,400	0.02
Habib Bank Limited -Treasury Division		1	220,900	0.03
Faisal Bank Ltd.		1	2,626	0.00
IGI Investment Bank Ltd.		1	1,881	0.00
Soneri Bank Ltd.		1	19	0.00
Bank Al-Falah Ltd.		1	28,500	0.00
J.S. Bank Ltd.		1	281	0.00
Security Investment Bank Ltd.		1	45	0.00
Atlas Bank Ltd.		1	12	0.00
Trust Leasing Corporation Ltd.		1	115	0.00
Al-Faisal Investment Bank.		1	33	0.00
		28	70,180,839	10.86
<b>7. Insurance Companies</b>				
Pakistan Re-insurance Co. Ltd.		1	109,168	0.02
Adamjee Insurance Company Limited.		1	917,000	0.14
State Life Insurance Corp. of Pakistan		1	195,281	0.03
Orient Insurance Co. Ltd.		1	230	0.00
Gulf Insurance Co. Ltd.		1	410	0.00
New Jubilee Insurance Company Limited.		1	185,000	0.03
New Jubilee Life Insurance Co. Ltd.		1	110,000	0.02
IGI Insurance Limited		1	98,880	0.02
Alfalah Insurance Co. Ltd.		1	31,000	0.00
The Crescent Star Insurance Co. Ltd.		1	608	0.00
Century Insurance Co. Ltd.		1	18,000	0.00
EFU Life Assurance Ltd.		1	7,368	0.00
		12	1,672,945	0.26

Pattern of Shareholding as on December 31, 2008  
Allied Bank Limited

8. Modarabas and Mutual Funds

First Prudential Modaraba	1	8,000	0.00
Pakistan Stock Market Fund	1	75,736	0.01
Golden Arrow Selected Stock Fund Ltd.	1	382,920	0.06
Pak. Strategic Allocation Fund	1	122,700	0.02
Atlas Stock Market Fund	1	70,400	0.01
First Dawood Mutual Fund	1	10,000	0.00
Faisal Balanced Growth Fund	1	40	0.00
Pakistan Premier Fund Limited	1	664,056	0.10
Asian Stock Fund Limited	1	70,056	0.01
AKD Index Tracker Fund	1	68,120	0.01
AKD Opportunity Fund	1	1,502,100	0.23
Namco Balanced Fund	1	15,024	0.00
FDIBL- Trustee Namco Income Fund	1	142	0.00
NAFA Cash Fund	1	4,773	0.00
NAFA Income Fund	1	29	0.00
Atlas Income Fund	1	367	0.00
Al-Noor Modaraba Management (Pvt.) Ltd.	1	7,000	0.00
Safeway Mutual Fund Limited	1	30,083	0.00
Pak Libya Holding Company (Pvt.) Limited.	1	75,200	0.01
MCB Dynamic Stock Fund	1	180,400	0.03
Pakistan Income Fund	1	6,806	0.00
PPF Equity Sub-Fund	1	18,000	0.00
APF Equity sub-Fund	1	4,000	0.00
JS Pension Savings Fund	1	11,520	0.00
HBL -Stock Fund	1	57,260	0.01
HBL Multi -Asset Fund	1	24,800	0.00
HBL Income Fund	1	3,291	0.00
First Habib Income Fund	1	47	0.00
MCB Dynamic Allocation Fund.	1	175,000	0.03
MCB Dynamic Cash Fund	1	134	0.00
First Capital Mutual Fund Limited	1	22,500	0.00
NI(UY)(LOC) Fund.	1	1,756,474	0.27
United Money Market Fund	1	352	0.00
First Alnoor Modaraba.	1	12,000	0.00
United Growth & Income Fund	1	614	0.00
POBOP Advantage Plus Fund	1	267	0.00
First Tawakkal Modaraba	1	199	0.00
Modaraba Al-Mali.	1	68	0.00
	38	5,380,478	0.83
<b>Shareholders holding 10% (and above)</b> (Excluding Directors and associated companies)	Nil	Nil	Nil
<b>Foreign Investors.</b>			
Solaiman Ahmed Al Hoquani	1	39,000	0.01
State Street Bank and Trust Co.	1	140,680	0.02
Mellon Bank N.A.	1	26,000	0.00
Deutsche Bank London Global Equities	1	41,544	0.01
The Northern Trust Company.	1	27,480	0.00
Banque Privee Edmon De Rothschild Europe	1	10,000	0.00
Habib Bank A.G. Zurich, London	1	162,000	0.03
The Bank of New York	1	22,920	0.00
Ashiq Ali Kanji	1	11,264	0.00
Amanullah Hashmi	1	4	0.00
Mohammad Tahir Butt	1	2,160	0.00
BNP Paribas Arbitrage( Hong Kong ) Limited.	1	400	0.00
	12	483,452	0.07
General Public - Individuals	20,355	43,633,760	6.75
Others	1	18,956,016	2.93
a) Federal Government of Pakistan	1	9,034,482	1.40
b) Security & Exchange Commission of Pakistan	1	21	0.00
	3	27,990,519	4.33
<b>Total</b>	<b>20,530</b>	<b>646,364,325</b>	<b>100.00</b>

All trades in the shares carried out by Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as under:-

Name	Purchase/ transfers	Sales/ transfers
Mohammad Naeem Mukhtar	-	29,371,000
Mohammad Waseem Mukhtar	-	27,700,000

Apart from these, there have been no trades in the shares of the Bank, carried out by its other directors, CEO, CFO, Company Secretary, their spouses and minor children.

## Notes



**Form of Proxy**  
**63rd Annual General Meeting**

I / We \_\_\_\_\_  
of \_\_\_\_\_  
being a shareholder of the Allied Bank Limited do hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ also a shareholder of ABL,  
to be my/our proxy and to attend, act and vote for me/us on my/our behalf at the 63rd Annual General Meeting of the Bank to be held on 27th March,  
2009 and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

AFFIX  
Revenue  
Stamp of Rs. 5/-

Witness

1- Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

Signature \_\_\_\_\_  
The signature should  
agree with the specimen  
registered with the Company

Witness

2- Signature \_\_\_\_\_ Folio No. \_\_\_\_\_  
Name \_\_\_\_\_ CDC A/c No. \_\_\_\_\_  
Address \_\_\_\_\_ Sub A/c. No. \_\_\_\_\_  
CNIC # \_\_\_\_\_ Distinctive Numbers: \_\_\_\_\_  
From \_\_\_\_\_ to \_\_\_\_\_

**IMPORTANT**

1. A member entitled to attend and vote at a meeting is entitled to appoint another member as a proxy to attend, speak and vote for him / her.
2. An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required may be obtained from the Registered Office of the Bank during normal office hours.
3. An instrument of Proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.
4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he / she should bring the usual documents required for such purpose.
5. Members are requested to notify immediately changes, if any, in their registered address to Bank's Share Registrar M/S Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement if any, be dispatched at the correct address.

AFFIX  
CORRECT  
POSTAGE

## Allied Bank Limited

**Head Office / Registered Office**  
8 - Kashmir / Egerton Road, Lahore.  
Phone: +92 42 111 110 111  
Website: [www.abl.com](http://www.abl.com)



**Annual Report** for the year ended December 31, 2008